

THE ICE STORM: Days of heroism and heartbreak

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CANADA'S WEEKLY

NEWSMAGAZINE



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THE **BEST AND WORST** **MUTUAL FUND**S

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The Mail

Women's health

For more than 30 years, women have fought hard for the right to make their own choices. Many women's lives have changed for the better due to that struggle. It is sad and frustrating to realize, however, that the "Pressures to conform" (Cover Jan 12) in a culture based on thinness and youth have many women trapped in a different web that's just as controlling as the past one of inequality and inequity. As a social worker and mother of four, I am horrified how this pressure leads many young women to strive to mould their bodies into an unrealistic ideal, risking their health and well-being in the process. The incidence of eating disorders continues to rise at an alarming rate, and while the fashion industry and the media must take a large portion of the responsibility, women also must strive to change a society based on a culture of "lookouts." Together we can stop this horror and move our society towards one where all people can be accepted for who they are on the inside rather than how they look on the outside.

Leanne Lewis
Calgary

Why the emphasis on women's health? Has it escaped everyone's radar that men die of prostate cancer at about the same rate as women die of breast cancer, but research funding for breast cancer and media coverage of the disease far exceeds that for prostate cancer? Except for specifically female conditions such as cervical cancer, males suffer a higher mortality and mortality from all cancers, in all age-groups, than women, and their life expectancy is about

Your article on hormone replacement therapy had a fitting title: "The HRT conundrum." Not only is it a conundrum for women, but also for Mother Nature. For the first time in history, women have started living well beyond our reproductive years. Certainly, research needs to clarify the risks of taking HRT, the big one being breast cancer. As a young woman whose breast cancer invented breast cancer three years ago, I am very nervous. I should I couldn't stand this coverage for more than six years. I put myself on HRT recently and now feel like a new woman.

By Sherry Ross
Newswriter

Private protection

I am not sure I feel much safer knowing that after 65 hours of training, no high school diploma and at \$7.50 an hour, police wannabes are partially protecting our society ("On the mean streets," Canada/Special Report, Jan. 12). What kind of people will be attract-

seven years old? Three generations ago the difference was only one year. Doesn't that suggest there are serious and tragic health problems in our society that may be getting worse?

Mark Ward
Asgard

I found the cover story "When a body turns on itself" to be very interesting as I am one of the people affected by an autoimmune disease—I was diagnosed with Takayasu's arteritis, a chronic inflammation of the aorta, at the age of 38. My treatment was also caught by the mention of the link between autoimmune diseases and endometriosis—it confirmed where cells migrate from the uterus to other parts of the body—so I had this disease in my 20s and had a full hysterectomy. It was good to read,

Wilson P. Asmundson,
President,
The Depression and Manic-Depression
Association of Canada,
Winnipeg

ed to this kind of world! If, as you say, the police are pleased with these services, and are working with them, will they turn a blind eye to any of their questionable activities?

Brett Estabrook
Toronto

even though you feel that you are all alone, that there are others just like you out there and someone is doing something about it.

Leanne Lewis
Calgary

I read this article with enthusiasm. It would be wonderful and definitely cost effective if private-sector security agencies were to work hand-in-hand with the police in maintaining law and order, but the government should establish laws governing private security organizations, set strict policy guidelines, codes of ethics, and, moreover, it should appoint a licensing body to certify such companies before they are entrusted with the responsibility to protect the general public.

Christopher Kalsbeek/Paragon
St. Catharines, Ont.

I believe your perspective of the private policing industry is an unfair characterization. Private policing includes a multitude of occupational careers, such as investigations, loss prevention, resource protection, hotel and transit enforcement, forensics, as well as our private and commercial security. To suggest that the private policing industry is poorly educated, loosely trained and not adequately equipped is misleading and wrong. The level of professionalism and knowledge in this industry as a whole far exceeds the public police forces. The private policing field is highly skilled, educated and efficient. The commercial security field is well trained to meet their present duties, and in this day and

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Healthy Bites

Go calcium go!

The U.S. is now recommending higher calcium intakes and Canada is likely to follow suit. How important is calcium to bone health? "Enough," says bone specialist Dr. Robert Heaney.



We maintain that if everyone in North America ate enough calcium (i.e., the equivalent of two to four servings of milk products daily), our incidence of osteoporosis might actually be cut by as much as 6 to three in a half. Some argue that if we cut down on protein-rich foods like meat, we wouldn't need so much calcium, since protein is believed to increase calcium losses. Uh-uh. According to data presented at a recent International Conference on Vegetarianism by calcium specialist Dr. Connie Weaver, even if we decreased our protein intake to the minimum level required for health, it would have little effect on our calcium requirements. Adults would still need about 1,000 mg of calcium each day - exactly the amount now recommended for adults in the U.S.



Most of us associate getting colds with being around people, since that's how they're spread. However, a major U.S. study indicates that more diverse social networks (i.e., multiple social ties to friends, family, work and community) are associated with greater resistance to the common cold. Go figure!

Have you heard the latest?

There's a rumor about that consuming foods improperly leads to inadequate digestion and weight gain. Published: The body doesn't care how food is combined. People who lose weight on these nonsense diets are simply either eating less - the diets are often so complicated, why wouldn't? - or eating more. The problem with such nonsense diets is that followers often fail to eat enough from the four food groups and are at increased risk of developing nutrient deficiencies.

Snack on this

The Olympics are a few weeks away and if you or your kids are strenuously working out - to compete or simply as recreation - three meals a day may not be enough. Nutritious snacks can help fill the gap. Try:

- An instant cereal with milk and fruit
- Dry cereal, nuts and fruit mixes, with yogurt
- A bagel or crackers with cheese or peanut butter and juice
- Frozen yogurt with fruit and a cereal bar
- Vegetables and pretzels with yogurt dip

Remember: sufficient calories and nutrients are particularly essential when you're active.



From the Dairy Bureau of Canada

THE MAIL

age, it's common to see the majority of staff at least college educated. In fact, there are many educational programs available to update such employees and most reputable companies financially support their staff to do so.

Jeff Deacon
Burlonie, Ont.

Your article on private policing in Canada was informative and timely, as we all see crime rising and regular police budgets curtailed. But private security forces are a dangerous precedent as they are mainly in existence for the protection of property and money, not the citizens of their jurisdiction. Also, it should be noted that the forces of our two chief rivals - CN and CP - have access to the Canadian Police Information Centre computer system in their offices in Montreal, Toronto, Calgary and Vancouver. This is far too much clout in the hands of a private corporation. When privacy is an increasingly important issue to most Canadians, it's worrisome to think that such personal information may some day be in the hands of some security guard working for a private organization.

S. K. MacDonnell,
Calgary, AB

Paying for Bernardo

I am disappointed that the Ontario Court of Appeal says Paul Bernardo is entitled to a publicly funded appeal of his murder convictions ("Public and for Bernardo," Canada Notes, Jan. 12). While I understand that an appeal process needs to be available, it is hard to imagine why one has been granted in this case. At a time when government budgets are tight, I am angered to think that \$60,000 of public funds may be spent on this appeal. More important, my heart goes out to the families of Bernardo's victims who must once again feel the system has failed them.

Leanne Bagnay
Waterloo, Ont. B6

Manning make-over

A weekly effort may I ask for a small favor? Even we myopic rural British Columbians know that Reform party Leader Preston Manning didn't get "anywhere close to he can wear" (outfit, Jan. 12). He got his eyes laserred so he doesn't have to. Would Dr. Fotheringham mind recycling the Manning make-over routine just one more time, and getting it right?

Tim Pionte
Maple Ridge, B.C. B6



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THE MAIL

Deadly sins

Fotheringham's column about the Wetray disaster ("The 'tragedy' of the Wetray tragedy," Dec. 10) was the first and best book he has ever written. It named private people, owner and mine officials, provincial and federal government officials whose greed was greater than their concern for human life.

Chris Bayne,
Surrey, B.C.

Canadian memories

Regarding your article "Wetray Report" (Special Report, Sept. 20) and the ever-ongoing search for a Canadian identity: Consider the following: you are at a fitness club; you're barbecuing in the sweltering heat; reading a well-thumbed, much-worn, pass-around copy of *Merle's*. You happen upon the article "Anderson scores!" (it's a slight catch in your throat, a song danguing around the eyes, and you look around only to realize that actually does no one care, but no one can even remotely relate to what this unshaved memory—long buried—means to you).

Larry Saveluk,
Gatineau, Quebec

'Window dressing'

The hiring of American Man Hunter Sher by Justice Minister Anne McLellan is a play designed to create the false impression that the federal government is getting tough with Nazi war criminals living in Canada (Posters, Dec. 22). But it also implies that Canadians are uncomplicated and that somehow Sher can do what the RCMP and our national security forces cannot. Sher can do nothing about our legal system that has deported only one suspected Nazi war criminal from this country. He can do nothing about hanging justice department officials who interviewed with the judicial independence of the judge hearing a pre-trial-in-the-making deportation case. This will set the case to the Supreme Court of Canada and delay the hearing for months. And he can do nothing about essential witnesses who are growing older, getting sick and dying. Most important, Sher can do nothing about the attitude of a government that cares so little about this issue that it has allowed 300 modern-day war criminals to take up residence in this country. The retention of Sher is simply window dressing designed to cover the appalling record of this and past governments in dealing with suspected Nazi war criminals living in Canada.

Jack Lawrence MF
Calgary, Alta.

Editorial Update

Olympic Walk-up

As the 10th Winter Games approach, Maclean's is preparing a comprehensive report that includes a 10-page pullout featuring a day-by-day look at the key athletes and competitions. Reporting from Nagano, Japan, site of this year's Games, Maclean's editorial team will deliver insightful profiles of the top Canadian and international medal contenders in new sports such as snowboarding, curling and women's hockey, as well as traditional favorites such as speed skating, alpine skiing and figure skating. Maclean's 30-plus pages of Olympic walk-up coverage is featured in the Feb. 9/16 issue, on most newsstands on Feb. 3/9.

Canada at War

For nearly a century Maclean's has published some of the first writing on war, bringing the horrors and triumphs of the battlefield to the printed page. Canada at War is a carefully-curated collection of previously-published Maclean's articles that highlight lesser-known individual experiences from the First and Second World Wars through to Canadian peacekeeping efforts in Cyprus, Somalia and the former Yugoslavia. Published by Penguin Books Canada, Canada at War is now available in stores everywhere.

Newsstand Notes



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Advertising Supplement

The second installment of the three-part RSPF Planning Guide appears in the Feb. 2 issue of Maclean's, an issue newsstands on Jan. 26. Timed to coincide with the RSPF season, this issue also information will help Canadians make vital financial decisions with the latest information on up-to-date investments for the cash-strapped and how to create-proof your RSPFs. Maclean's RSPF Planning Guide Part 3 will appear in the Feb. 16 issue of Maclean's, on most newsstands on Feb. 9.

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Backstage



Anthony Wilson-Smith

The death of an unsung hero

Ivan Sekler's life was a mess, it would be part drama, part comedy, and the lead role would be played by a dark, taciturn fireplug such as Diana Hallinan or Al Pacino. The major would come from Sekler's vigorous, arm-waving tirades on any and every stage, and the plot would centre on Justice in publisher of the Montreal weekly newspaper The Dispatch, which he founded and operated from 1902 until its closing in 1903. Gruff, irreverent and possessed of an archaic vocabulary in both official languages, he never could quite conceal the fact that he had a heart the size of Mount Royal Park Open, in the mid-1920s, he asked a magazine journalist to write a restaurant column for him under a pen name. The emigre from Russia who the column became was people-and generate new subscribers from grateful recipients. Instead, most of the reviews were savage, so that some enraged owners can called their existing staff. Sekler, who could illustrate the lost revenue, tried to look fearless and heroic, but could not sustain it. "Ah, hell," he finally said with a shrug, "those places gitme indigestion anyway."

He could never bear hearing for long the action, just as he could seldom resist a good turn—which explains why he plunged so vigorously into rescue efforts when the now-infamous ice storm struck. He earned plaudits for elderberry, honey and small deliveries to a close friend, who died after six hours of a fever, and helped push each stuck in snowdrifts. Yet, as always, he strayed after a string of such days, he died of a sudden heart attack on Jan. 30 at age 57.

By the end of last week, with many affected parts of Quebec and eastern Ontario returning to a semblance of normal, at least 75 people had died, and the estimate of economic losses stood at \$2 billion. Even then, the death toll does not include the likes of Ron Sekler, whose fatal heart attack is not technically attributable to the weather. Now, as public attention moves on, the storm's aftermath leaves millions of people with a new set of lessons and, for those who lost friends or family members, a never-ending sense of loss.

It is almost always the case in a crisis, the behavior of those with it ranges from heroic to villainy to occasional absurdity. Some individuals should linger long, such as the Montreal fireman who risked his life to save a two-year-old girl from suffocating in a fire. And the succession cliché urging people to "count your random acts of kindness" came true. American businessman Robert McMillan, who does not live in Canada and who had \$4 million operating the Montreal Amateur football team last year, spontaneously directed the team's staff to spend "whatever it takes" of his money to supply food and shelter to relief centres. And countless acts of generosity

such as people supplying meals and board to friends, neighbors and complete strangers—will never be reported, but served to cement old friendships and forge new ones.

On this occasion, organizations supposed to serve the public interest demonstrably did so. The head of Quebec operations for the radio side of the Canadian Broadcasting Corp. scrapped regular programming, arranged for round-the-clock news and weather information, and had it broadcast on both the AM and FM signals to make it available to as many people as possible. Some hydro-line workers in Quebec and Ontario worked up to 18 hours a day for two weeks straight—with yeoman relief help from American colleagues. The work of police and the Canadian military was universally applauded.

Public officials distanced, for the most part, understandably. The staff of Gov. Gen. Romeo LeBlanc prepared and supplied hot meals and aid to outlying areas. Prime Minister Jean Chrétien, whose visit to Mirabel during last spring's flooding lasted no longer than a parking slot in one of his golf courses, has been off the night since he postponed his departure on the Trans-Canada trail mission to Latin America, and called fall-borne into aid efforts. He and Premier Lucien Bouchard—who did the same—avoided the temptation to turn disaster into yet another constitutional debate. Ontario Premier Mike Harris also behaved admirably, but he left for Mexico before the other two, and then delivered generalizations about them on the importance of following him.

The list of bad or ugly things is, happily, short. Montrealers and Ontarians will remember those gasoline stations which, at the storm's height, sharply raised prices by four cents a litre. The蒙特利尔 Casino, which kept full power, continued gambling operations for several days and hours of outage prompted it to close. There were scuffles to buy fresh produce in some areas, break-ins at abandoned homes and minor cases of looting.

And, of course, there were the media mark. Some coverage was apocalyptic. The Ottawa Citizen, whose editor's house became a fire casualty of the weather, called it "the storm of the millennium." Some tried to have it both ways. The Globe and Mail ran a finger-wagging column by one of its reporters complaining how small and tall colleagues on their "frontlines" coverage while featuring others' stories about exaggerating the extent of the damage. The headline over the main frontpage story of the same edition consisted of a quote from a passenger on a Via Rail train after a much-delayed trip between Toronto and Ottawa in which no one was actually hurt or died. He declared, "It was almost like the Train."

Ron Sekler, who approached life, arguments and newspapers with equal gusto, would have died out for days on that one.

Opening Notes

Edited by BARBARA WICKENS

The whalers vs. the watchers

Last October, when the International Whaling Commission granted the Malahat Indians the right to hunt any whale off Washington state's Olympic Peninsula, it seemed a reasonable decision. After all, the band's quota of 30 whales over the next five years poses no conservation risk to the huge migratory herd of 21,000 grey whales that passes by Washington and British Columbia twice yearly. Malahat tribal council member Mary Parker adds that the hunt will allow the band to perform important traditional whaling rituals. But those involved in whale watching on the west coast of Vancouver Island are concerned. The \$10-million-a-year industry relies on the continued presence of fewer than 50 resident grey whales, which occasionally stray into—indeed into Malahat territory and cannot be easily distinguished from the migrating whales. "Taking 30 whales out of 21,000 is different than taking 26 out of 30,000," says Jay Darling, a Tofino, B.C.-based biologist who studied whales for more than 20 years. "If that occurs—taking 30 out of 56—they will certainly be an impact on the [resident] population." As a result, B.C. whale-watching companies and marine mammal societies are calling on Canada to rejoin the whaling commission. "Our interests have not been represented at any level of

decision-making or decision-making," they wrote in an October letter to Prime Minister Jean Chrétien. Canada was a founding member of the commission in 1946, but withdrew in 1982 over a proposed worldwide ban on commercial whaling. And Jacques Blanchard, director general of resource management for the department of fisheries and oceans, says, "Canada has no right to rejoin the IWC at this time." For whale-watching tour operators, that reentry could present a whale of a problem.



Next, the phone bill

Residents of Southern Canada may take Rather telephone for granted, but not people in the North. In December, the 60 residents of Jean Marie River, N.W.T., got their first phones ever. For the past five years, the isolated aboriginal community 300 km southeast of Yellowknife had been served by only a 9-line phone, located on the porch of the local Post Office. When a call came in, the nearest person would answer it and then get on the telephone to answer it to everybody. But now, Northwestel, the phone company in the Canadian North, has installed 22 network connections in Jean Marie River as part of a three-year, \$3-million project to bring the outside world into seven unconnected N.W.T. communities. But not everyone is certain the phones represent progress. "When this was the only phone, everyone would come to the rescue," says Chet Yee, Northwestel's manager. "Now that everyone has a phone at home, we afraid no one will come here."

A power deal goes south

Georgia is not on the itinerary of the current Texas-Canada trade mission to Latin America, but chances are it is on the mind of Saskatchewan Premier Roy Romanow. With the cost of living following the Feb. 15 provincial election in the tiny South American nation, Romanow has put on hold SaskPower's plan to pay \$31 million for a 50-per-cent stake in the Guyana Electric Corp. The provincial utility, which has been in negotiations with GEC for more than a year, planned to invest in and upgrade Guyana's unique coal generation and power-grid system. SaskPower was predicting up to a 20-per-cent return on investment. "The deal has not been signed yet and it hasn't been signed," says Romanow. Allegations of electoral fraud following the election of Janet Jagan—a Guyana native and the widow of former president Cheddi Jagan—have sparked much unrest in the capital of Georgetown. All along, Romanow's political opponents have labelled his plan harebrained and risky—and now he might be forced to admit they were right.



Grey whale: concern about the small population off the coast of Vancouver Island

Where's Wallace?

Even money can't beat these seagulls. A high-profile crowd gathered at the Royal York Hotel downtown Toronto last week to celebrate the 70th birthday of Harrison McCain who, along with his brother, Wallace, 67, turned frozen french fries into a multibillion-dollar global food empire. Among the movers and shakers invited to the birthday bash were Justice Ken Thomson, Bank of Nova Scotia chairman Peter Godwin, former bobsledder Joe Head, Laurent Beaudoin, Chief Justice of Canada, Adriano Lastra, former governor general Romeo Dallaire and cable exec Ted Rogers. For entertainment, McCain drew in 25 students and major faculty members of St. Thomas University in Fredericton. However, one name was notably absent from the blue-chip guest list— that of Wallace McCain. After almost 40 years of working side-by-side, the two split amicably in 1993 over the management of Flawless Foods, N.B.—base of McCain Foods. Still, Harrison McCain has philosophical about entering a new decade. "I am in good health and I expect to earn my spot for some time."



Harrison McCain at 70

BEST-SELLERS

- 1 *The Bonfire*, Jane Smiley (60)
- 2 *Never's Nook*, Michael Robotham (12)
- 3 *Upper Party*, Candide Sheld (9)
- 4 *The God of Small Things*, Arundhati Roy (13)
- 5 *Safe House*, Kathy Reichs (7)
- 6 *Reign of Kings*, Michael Robotham (5)
- 7 *Home*, Tom McFaul (4)
- 8 *10% Profit*, David Frazee (3)
- 9 *A Goodbye*, P.J. O'Rourke (3)
- 10 *Unhired*, Lisa DiCarlo (2)

NONFICTION

- 1 *The Morning Year*, Peter Gzowski (4)
- 2 *Reindeer Games*, John Stothart (20)
- 3 *Angels Among Us*, John Stothart (19)
- 4 *One Man's War*, Jim Deacon (13)
- 5 *The True Story of Bennett, Japanese Pilot* (4)
- 6 *Abducted*, John Chabot and Stephen Seiden (3)
- 7 *My Name Is Cicero*, Gregor (3)
- 8 *One Man's War*, Jim Deacon (2)
- 9 *Secret Justice*, David Rudder (2)

17 Photos derived. Courtesy of Times Books

Scrutinizing Sotheby's

British journalist Peter Watson turns his investigating skills on a venerable art auction house in Sotheby's. An inside story, Watson's book uncovers evidence of illegal activities by Sotheby's staff, including the auctioning of stolen antiquities. His revelations have shocked the art world, and led to an internal investigation by the company.

Dick (left), Anderson: informants

Unconventional legislation by the B.C. government to prevent its role of a large trading dispute with Ottawa and the United States over Pacific salmon. The "public education broadcast" issue, tragedy interview with B.C. Premier Glen Clark, provincial Fisheries Minister Carly Blooms and informant B.C. fisheries—just give Anderson's wide-angle lens coverage. Says Anderson's press officer, Achanta Moustakopoulos: "The claim that the federal government isn't doing any thing on the Pacific Salmon is really a patently false." Confronted by reporters, Evans conceded that the short shelf given federal counterparts was "highly unfortunate." He even promised to raise some安倍 gets to explain his side of the story fully—so sue me—when he's in the future.



Caught in a video's net

Federal Fisheries Minister David Anderson thought something was well, fishy when an unidentified citizen crew began pepper him with aggressive questions during a media scrum last summer. Then video clips from the encounter began appearing this month as a three-part

Passages



OBITUARY Former MP and judge Mark MacGuigan, 66, of Inner City, where his wife, Patricia Robinson, practiced law. MacGuigan was dean of law at the University of Windsor before being elected to the House of Commons in 1968.

Then-Prime Minister Pierre Trudeau appointed him minister of external affairs in 1980, transferring him to Justice two years later. After a failed attempt at the federal Liberal party leadership in 1984, MacGuigan was appointed to the Federal Court of Canada Appeal Division. MacGuigan was also a founding member of the Canadian Civil Liberties Association.

OBITUARY: Kathleen Stratton, 62

Film maker and founder of Studio 8, the women's wing of the National Film Board, of Canada, in Kelowna, B.C. During her 22 years (1974-1996) as director of Studio 8, she produced controversial documentaries, including *Not a Love Story* and the 1983 Academy Award winner *A Day in the Life*. Photo: Pauline

OBITUARY: Canadian comic **Mike MacIntosh**, from his four-year shift as anchor of *Saturday Night Live's* "Weekend Update" news spoof. NBC executives said the show was not funny any more, although they allowed him to remain as a general cast member.

OBITUARY: Nechako Skelton, 51, military analyst and managing director of the Strategic Analysis group, of cancer, in Toronto. A former captain in the Canadian Airborne Regiment, and a fierce critic of Canada's military leadership, Skelton was a familiar figure in media coverage of the federal inquiry into the 1993 actions of Airborne troops in Somalia.

OBITUARY: Bruce Howe, 61, former president of the forest company Macmillan Bloedel Ltd., of cancer, in Vancouver. Howe was also communications general of the Canada Pavilion at Vancouver's Expo 86.

OBITUARY: Blues harmonica player **Junior Wells**, 63, of lymphoma, in Chicago. Wells helped define the Chicago sound of the late 1940s and '50s, playing with such blues legends as Muddy Waters.

Canada SURVIVAL SKILLS



The ice storm brings tales of perseverance and heartbreak

BY STEPHANIE NOLEN

In a dark high-school hallway in Cowansville, Que., two elderly women tried to play cards by candlelight at night last week. Since the power went out on Jan. 6 in the senior's residence where they live, they had been staying in the school—which had heat but, intermittently, no lights—and putting a few face washings. "Oh they've been good as horses," they chorused, hoping praise on the volunteers running the shelter. But then one woman noticed that her daughter, who lives 20 minutes away, had not lost electricity in the massive ice storm. "I could have gone to stay with her, I suppose," she said. "But, well, she didn't offer. So I didn't ask."

A lonely sentiment—and there was no shortage of lonely sentiments across the storm-struck region last week. But among many, the story of the disaster, the worst in Canadian history, has been a heartwarming one. More than 3 million people in parts of Quebec, eastern Ontario and New Brunswick were plunged into darkness, and the country rallied. From Alberta came generators; in the economically depressed Renfrew area of New Brunswick, volunteers chipped in and tracked



The streets of Montreal cleaning in Aylmer, Que. (left); In the face of disaster, Canadians rallied

out 600 cords of firewood. In the stricken areas, people talked about getting to know their neighbors, and of the kindness of strangers. In some cases, it came from a distance—U.S. power crews who packed in, soldiers from across Canada taking part in the largest ever peacetime deployment of Canadian forces. And sometimes those strangers lived just past the road: a Quebec help line was deluged with calls from people willing to take refugees into their still-lit homes.

And yet almost no one called that help line looking for a place to go. "People don't want to leave the community shelters," said Françoise Géline, who runs an impromptu refugee center in Montreal's convention hall. "They don't want to go stay with strangers." Radio stations warned listeners that beggars disguised as hydro workers were telling people to leave their homes, only to return later and rob them. A few callow-eyed merchants packed up稍前. Some Quebecers tested out at Hydro-Québec, saying the utility was prepared for the crisis. And by week's end, the storm had claimed at least 22 lives, many of them elderly people who succumbed to hypothermia. But power had been restored in Montreal, New Brunswick and most of eastern Ontario. Prime Minister Jean Chrétien deemed the situation sufficiently under control to allow him, late last week, to join the Trans-Canada truck invasion to Latin America (Ontario Premier Mike Harris had departed Jan. 13). Quebec's Lucien Bouchard, though, stayed behind. And 700,000 people remained in the dark, in the regions south of Montreal and in communities west of Ottawa—with little hope of getting power back for at least one week more.

For them, the bright spots became increasingly hard to see. Wanda Léblanc runs one of the few restaurants that stayed open in St-Jean-sur-Richelieu, one of the hardest hit towns. Armed with a generator, the 24-hour Léblanc continued to chomp out hot meals—while Léblanc slept a few hours each night above her establishment, wrapped in six blankets and with a cloth over her head. "It's incredible the hell that we're going through," she said, her eyes welling with tears.

Eventually, there is finger pointing. Is Hydro-Québec to blame? Could they have done more? Some Quebecers asked. The utility says the cuts it could have been worse. The ice crumpled hundreds of hydro towers like tinfoil and knocked out power to three of the five main hydroelectric stations that ring Montreal and feed the island and surrounding communities. Until Jan. 10, the few lights in downtown Montreal came from a single surviving line to the island, running a huge risk of overload.

That scenario, and the lengthy blackouts that virtually paralysed business in the Montreal area, has raised questions about Quebec's dependence on hydroelectric power. The province relies much more heavily on electricity than other parts of Canada. In 1996, Quebecers used electricity for 43 per cent of their energy consumption, compared with the national average of 23.8 per cent. After the storm, there were many calls for Hydro to bury the power lines. The utility says underground lines, now under consideration, would have prevented some of the disaster. But that option would be prohibitively expensive—with estimates running into billions of dollars. Hydro-Québec chairman André Caille commented that the utility would build a new high-voltage transmission line to help prevent another blackout in downtown Montreal, while Bouchard insisted that major changes would have to be made to protect the province's infrastructure. But in the end, nothing could really have prepared Hydro-Québec for such a disaster: its towers are designed to withstand a punishing 45 mph of ice, but the storm proved as much as 70 mph—roughly the thickness of three hockey pucks.

Estimates now put the total cost of the storm, including damage and



St-Jean-sur-Richelieu
workings of businesses
and erosion of
Hydro-Québec

CANADA

lost revenues, at \$2 billion. And while the bills will take years to settle, Quebec is giving each person without power from Jan. 12-18 a day until their lights come back on. Some people scoffed, saying the sum was laughably small. But for others, it was desperately needed. Ina Roseberry, 44, waited patiently outside city hall in St-Hyacinthe to pick up his cheque. He lost several days' pay because the factory where he works as a labourer shut down, 50-living in his 1982 Oldsmobile to keep warm. Roseberry will be pleased to use the money to buy gas, so he could drive to Thetford Mines to get food supplies from family members. "I only have \$5 in my pocket," he said.

Some people called the storm's "great leveller"—there was no more light in the mid-class suburbs of Montreal than in poorer areas. But in fact, the power outage starkly illustrated the depth of poverty and isolation that exists both in the cities and outside them. For a brief few there was upside—the Canadian Snowbird Association said there was a "definite increase" in departures from Montreal and Ottawa for points south during the storm. But in the Mount Royal conservation centre, 50 people were sleeping on mats in the main hall—and answerers said the vast majority were unemployed. Many homeless people had stayed in as well. People lined up for hours at the soup-kitchen where it was hard to find out how to get their social assistance cheques. Pascale Bourque-Merier, 23, and her partner, Laurent Renaud, 30, cowered on the concrete floor with their two roundfold mats beside them in cold-blasted houses. They are both unemployed, and Bourque-Merier says, they had nowhere else to go when it got too cold at their apartment. "Our friends don't have roofs for us, and we aren't really in touch with our families," she said.

When the temperature plunged in the second week of the storm,



Carolee and her children prepare to leave

police and soldiers went door-to-door, coaxing, and in some cases ordering, boil-outs to leave their homes. Many of those they escorted off their homes were elderly people who lived alone. "There's one good thing about this," sighed one exhausted hydro service worker. "It's that we have found these people. Some of them have been living alone, subsisting on tea and toast, for years."

In the rugged countryside of Ontario's Lanark Highlands Township, 75 km southwest of Ottawa, few farmers thought of leaving their homes over the sheer loss of electricity. In the soft glow of an old lantern Bill and Rita Duncan sat in their kitchen and discussed the terrible damage the ice wreaked on the maple trees they tap for syrup. "All the smaller branches are off," says Rita, 64, who tramped through the sugar bush after the freezing rain started. "The trees are just spikes bending towards the sky." Bill, 68, talked of cutting maple in and the firewood and lumber before they're not where they stand.

The story was much the same across Lanark last week, where farmers tried not to bemoan the destruction of the region's famed maple syrup industry. The rocky terrain makes this one of the most unforgiving areas for hydro crews struggling to restore power in eastern Ontario. But for hydro crews struggling to restore power in eastern Ontario, there were no helping hands. The Canadian army deployed 14,000 soldiers and reservists throughout the storm-ravaged areas. At McGeer's Corners, the village nearest to the Duncans' home, 35 reservists from Toronto, based in the Agricultural Hall, marvelled at the resilience of the locals. "People here are really self-sufficient," said Pte. Trevor Nanson, 19, a psychology student serving with the 4th Highlanders. "They are getting snow to take showers, things you don't think of in a city."

Rosko and his brigade spent three grueling days clearing fallen trees and branches from hundreds of kilometers of Lanark's survey roads and hydro lines. They are both unemployed, and Bourque-Merier says, they had nowhere else to go when it got too cold at their apartment. "Our friends don't have roofs for us, and we aren't really in touch with our families," she said.

Carolee phoned to see if she could call for a ride to hospital in case the west into Ile-Perrot before telephone service was restored.

Since low-tech solutions helped to resolve other problems in Gaspé, St-Jean, Kyle MacDonell, a part-time hydro worker became the hero of the hour after some loamy work with a bow and arrow. Repair crews were struggling with a tangle of tangled wires even isolated both ends. They armed MacDonell with a bow and arrow, and he scored a perfect bullseye, sending an arrow, with a rope attached, through the cables. The workers then tugged and twisted the wires free.

At the zoo in Granby, 60 km southwest of Montreal, keepers found themselves with some unhappy animals. Flamingos were huddled with the elephants for warmth, and generators kept the iguanas toasty (but what to do with exotic birds who won't eat unboiled insects? Staff rounded up some cage-warming lunch meat. "The parrots and the ostriches were getting very upset," reported zoo spokesman Chris Lassalle-Sheehan. "We had to take the lamps away again, but at least they are."

Of the strongest effects of the storm was the way it altered landscapes. "It's almost at night," says Mgr. Stanislas Szekely, mayor of St-Jean-sur-Richelieu, about the deserted streets in his bed-ridden town. "You'll walk into a city study." The bright lights of Montreal disappeared, and whole



Dead livestock in St. Albert, Ont., stacking up in firewood in St-Jean, Que. (left) the total cost could be as high as \$2 billion

communities were isolated from the highways at night. Magie of Ile-Perrot left without power realized that they had new appreciation for electricity. "I grew up without any of this stuff," said Raymond Plast of Montreal, who was raised in the impoverished community of Attawapiskat, outside Barrie. "We didn't have insulation, and we got water from the well, and you learn how to survive. But an apartment isn't equipped for this." Plast, 51, and his family headed to a shelter after seven chilly days in the dark.

Locally, the thorny question of Quebec nationalism shadowed the storm drama. How would Quebecers feel about having the Canadian army on their streets? (But delighted, apparently: soldiers joining the relief effort got a rousing welcome.) The Saskatchewan power company sent four generators to Quebec, and dozens of employees volunteered to go, too. "They saw it as a chance to show folks in Quebec what people in the West are really like," says spokesman Larry Christie. And Halifax Daily News columnist Harry Flamingo speculated, "I can't imagine a sequence of events the most militant secessionists that their fellow Canadians have had to face in the last 16 days."

For new Canadians, there was another lesson in the storm. In 1988, Bassem Mufti emigrated from Lebanon, where 22 years of civil war atomic electrical service a rare and precious commodity. "The first night the power went out in Montreal, my friends and I just had to laugh because here we were sitting in the dark," he said. But he thinks the storm will be a healthy reminder for Canadians. "We have to appreciate how good this is, and what we have."

No doubt residents of those areas still without power will appreciate what they have, too—when the nightmarish finally ends.

THE POWER OF THE STORM: Electricity from northern Quebec is transmitted south through the main distribution stations only one line remained in operation as the ice storm nearly destroyed the system



WADE INGRAM/STRATFORD, JOHN
GAROFOLI/LAUREN
HEDGES/CP
ERIC GARNER/CP
HOLTER AND
DALE EISLER/CP



Restricting access in downtown Montreal, the agricultural sector was also hard hit

CANADA

Apocalypse now

The light inside Barbara Wong's store signified that she was ready for business. But on Jan. 14, when she reopened her Ste-Catherine Street gift shop after it had been closed for a week, it remained empty. Scores of offices and businesses in Montreal stayed shut, as Hydro-Québec tried to fix its fragile power system, punctuated by the worst ice storm in record. "It's a ghost," sighed Wong, slumped by the silent cash register. "People are afraid of walking; they aren't shopping anyway." After power began to return to the city last week, the government required businesses to turn their doors closed until Thursday in order to conserve power. Wong and her husband, who operate two gift shops in Montreal, opened a day early, eager to make up for the \$350 of lost daily revenue. But to no avail. "Maybe it will turn out OK, and we'll survive this," she said.

At the height of the crisis, one Ste-Catherine Street store owner posted a sign advising customers that it would be closed "until the end of the apocalypse." For many farmers, business people and employees stuck without power, revenue or pay, that sentiment would not seem extreme. As with a estimated \$2-billion price tag, the storm is the most expensive natural disaster on Canadian record. Hydro-Québec's extensive repairs alone may cost \$300 million. And the Alliance of Manufacturers and Exporters of Québec's preliminary estimate puts the losses from office and plant closings at \$600

million, with retail losses running at about \$40 million for each day that stores remained closed.

The tab is still going up north of Montreal, where several municipalities continue to exist without power. Mile 1 closed its Bromont semiconductor plant last week, but still paid its 368 employees. "I have no idea what it will cost to re-open, but in a wild estimate I would say \$300,000 to \$400,000 a day," said Claude Achter Jr., a manager at the plant. Some companies, such as IBM, planned to resume production this week with the help of generators. IBM was forced to shut down its Bromont operation for five days. The situation was more dismal in St-Hubert-sur-Richelieu, which was left completely blacked out all week's end and likely will not have power fully restored before Jan. 26. It is about 100 kilometers core one day last week, electrical cables still lay on the ice-coated sidewalk. This tally sounds in Robert Jacquot's Montréal Caché gift shop, which was a holding tank. Dressed in a blue jacket and wearing a tasse to keep warm, Jacquot worked for four hours in his frigid, unheated shop, while business was minimal. "I didn't want to think about it," laughed Jacquot about how much money the blackout is likely to cost him.

According to Yves St-Maurice, senior

The ice storm pulls the plug on business

economist with the Mouvement des citoyens des琥ropeas, the storm could prove to be the "bouc du grame" for small businesses that were already in difficulty. The agricultural sector was also hard hit. One Quebec farmer lost 10,000 chickens—dying en masse after the air circulation system failed as a result of his generator breaking down. Laurent Pelletier, the head of Quebec's Union des producteurs agricoles, says the blackout has put a strain on farmers and increased their workload. "They're exhausted," he says. And the Quebec Maple Syrup Federation estimates that 50 per cent of sugar bush operations in the province have been damaged by the storm.

Despite the industrial hardship, some observers say the disaster is unlikely to have a significant overall impact on Quebec's economy. Joe Scanlon, director of Carleton University's Emergency Communications Research Unit, which studies disasters, maintains that such events have no appreciable economic impact. "It balances out," says Scanlon, noting that losses are offset by the infusion of money into the economy from government aid and insurance companies. So far, in fact, the federal government provided \$50 million in immediate relief for Quebec, which was hit hardest by the storm, and \$35 million for Ontario, the first advances on what will eventually amount to many more.

The Insurance Bureau of Canada also estimates that it will pay out about \$600 million in insurance claims in Quebec alone. Raymond Madan, the bureau's general manager, says insurance covers such things as damage to cars and households caused by falling branches or ice. Any damage caused by ruptured water pipes is also covered, unless the power failure lasts four days or more. At that point, claimants must show they took the precaution of shutting off all water to the house or apartment, and left the taps run dry.

Some economists agree with Scanlon's point of view. "Once things get back to normal, they'll make up production," predicts Royal Bank of Canada economist Charles Lortie. And Gerald Fontaine, president of the Alliance of Manufacturers and Exporters, is similarly optimistic that the economic impact of the disaster will prove negligible by year's end. "We'll simply remember this as the worst night-freeze we've ever experienced in Montreal," he asserts. But for now, using people simply want to forget about the storm altogether.

BRIDGET BIRNSWELL with
STEPHANIE POLKIN and
OMARLO MATALEJASMA in Toronto

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BRIDGET BIRNSWELL with
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TRAGEDY AT SEA

Canadian Forces personnel aboard two U.S. Sikorsky helicopters managed to rescue a lone Canadian seaman clinging to an overturned lifeboat in the North Atlantic south of Newfoundland. Their cargo ship, the Cyprus-registered *Plank*, sank in heavy seas. Rescuers also recovered two bodies, while six crew members remained missing.

TALKING SALMON

Canadian and U.S. officials welcomed a report by two special envoys calling for resumption of talks on West Coast salmon quotas. Such negotiations should place annual interests ahead of regional ones, the envoys concluded. The report said Canada deserves a higher quota but must compromise.

REFORMING REFORM

In St. Catharines, Ont., speech, Opposition Leader Preston Manning told the Reform Party supports using 50 per cent of the budget surplus to halve the country's \$363-billion debt by 2018. The other half should be used for tax relief, Manning said.

N.B.C. JACKPOT

B.C. Supreme Court Justice Dennis Gowan-Road struck down provincial gaming regulations brought in last year, ruling that the Criminal Code requires all profit from charity casinos to go to charities. Provincial officials had predicted that the regulations—challenged by the Metro Vancouver Casino Association—would have netted \$270 million a year into government coffers.

FAREWELL TO FLUTIE

Toronto Argonauts quarterback Doug Flutie and the National Football League's Buffalo Bills came to an agreement in principle that would see the Canadian football player leave the Bills to play for the Argos. The signing will likely take place this week after the Maryland-born Flutie, 35, passes a physical.

SENTENCED FOR FRAUD

In Toronto, Ont., native Terry Sargent, 38, was sentenced to two years for fraud. Sargent, whose scams included defrauding him of a prostitute repaid by loan sharks for non-payment, was convicted of taking four men of more than \$200,000. She was also ordered to repay one victim \$140,000.

SORRY, NO SANDHU:

After newcomer Birnabir Sandhu's upset second-place finish at the Canadian figure skating championships in Hamilton, the Canadian Figure Skating Association pleaded with the Canadian Olympic Association to let the 17-year-old from Richmond Hill, Ont., go to the Nagano Olympics in February. But two COA committees ruled that Sandhu, who was a junior a year ago and could not compete for 2 1/2 months due to an injury in September, was ineligible. Outraged fans as well as former Olympians said the COA should have made an exception for the promising athlete. Sandhu and his coach, however, decided to forgo arbitration and accept the ruling. "My dream just has to be put on hold," Sandhu said.



PHOTO: GUY LAWRENCE

Gilliss over Gilliss as a result of a lengthy lawsuit. Easton also asked that the appeal court overturn another part of the decision, ordering him to put a further \$75,000 in trust to cover part of the costs of his upcoming appeal of the Gilliss award. As they have in the past, Easton's attorneys paid off. The court ruled that the partial payment to Gilliss remains where it is—also in trust. In addition, it requires that Easton pay legalists or have his assets did not justify paying out the \$75,000, the court ruled, before he is finally questioned by Gilliss' lawyers about the legalities and ethics of his holdings. The panel did, however, refuse Easton's request that he be excused from answering such questions. In fact, the court ordered that he pay former Boston Bruins Mike Gillis \$65,000, a down payment on the \$550,000 Easton owes him.

The Eagle wins

Ian Eagle may have pleaded guilty in two countries to fraud and their charges, and he may be behind bars, but this should not lead to conclusions that the Eagle's escapades are over. When it comes to holding onto the gravy the hockey double-dealer managed to siphon away during all those years he stole from clients and spouses, there is no apparent scarcity of legal and hostile action ahead. Eagle chose down the gauntlet last week, when, right after recording an 18-month cross-examination, he asked the Ontario Court of Appeal to reverse a December 1997 court order that he pay former Boston Bruins Mike Gillis \$65,000, a down payment on the \$550,000 Easton

Native time bomb

The problems facing native communities—poverty, substance abuse and family breakdown—could grow dramatically worse over the next decade, as swelling numbers of young aborigines move into their prime working and childbearing years. According to Statistics Canada, the baby boom that began in the

1960s will lead to a sharp increase in the number of Indians, Métis and Inuit who will soon need jobs and housing. About 36 per cent of the native population is under 15, compared with just 29 per cent of the non-native population. Native leaders called on governments, business and their own communities to act quickly to avoid a social disaster among young aborigines.



World

A political meltdown?

After the faithful finished praying last week at Jami Al-Akbar mosque in central Jakarta, fiery preacher Abdul Salam began his daily harangue against Indonesia's wealthy elite. These days Salam who uses local speakers to ensure that his message reaches the wealthy people living in the plastic apartment towers, is especially angry. The International Monetary Fund has agreed to pump 992 billion rupiah into Indonesia to rescue its financial system from collapse. As the plan's bitter medicine takes effect, prices will rise and the ranks of the unemployed will swell, but Salam is sure the family and cronies of long-ruling President Suharto will continue to prosper. Suharto's ousting is increasingly shared by millions of Indonesians, and there is now a growing and unprecedented clamor for Suharto, 75, to step aside. "He does not, many Indonesians fear, the situation could turn violent." "Middle people are experiencing poverty," complained Salam in his address. "What are the rich doing here?"

Since he seized power in 1965 after hundreds of thousands died in the bloody wake of an abortive military coup, Suharto has ruled the country like a feudal Japanese emperor. The former general and sometime farmer rewarded his friends and family by allowing them to take control of many of the country's largest corporations. Suharto's crony capitalist worked his letter than the socialism of his predecessor, antiimperialist Suharto (young Indonesians use only one name)

Indonesia rose out of poverty, a thriving middle class emerged and the nation of 200 million people—the world's fourth most populous—became an engine of Southeast Asia's economic boom.

But much of that growth was financed with borrowed money that the country can no longer afford to repay. With the currency, the rupiah, last week worth less than half its value a year ago, Suharto's subjects are growing angry. "All the government's lies are out in the open," said Jakarta businessman Lukan Gunawan as he prepared to pray at the Jami Al-Akbar mosque. "The social gap is widening and people don't believe in the government anymore." Left by Megawati Sukarnoputri, 58, the democracy-mandated daughter of Suharto, opposition parties are demanding that Suharto retire when his current term ends in March. Suharto is "corrupt," Megawati said in a hard-hitting speech in which she demanded her willingness to replace him. "He is an economic criminal." There are even rumblings of a split in the military between a pro-Suharto camp and an Islamic element led by younger officers who want him removed.

The stakes in the battle to replace the aging and ailing strongman are huge. The IMF, the World Bank and the Asian Development Bank have agreed to loan Indonesia \$9.7 billion. South Korea's Daewoo nearly \$1 billion to help them settle payments on their foreign debts and on government-backed loans to troubled corporations. If domestic and foreign investors leave Indonesia, the IMF could put new selling pressure on the Hong Kong dollar, which has so far maintained its

strength and currency markets plummeting again. Canada's total trade with Indonesia is only about \$1.2 billion, but the uncertainty in the region has already taken a toll on the Canadian dollar.

World financial markets have already discounted that Suharto is no longer in full control of his country. When his latest budget showed that he was dragging the nation from recession, the price of oil reform—especially because they would now threaten the world's fourth largest oil producer's 20 per cent of its value in little more than a week. U.S. President Bill Clinton planned Suharto on Jan. 9 and agreed to follow the IMF's dictates—which include allowing banks and other private companies to go bankrupt. After discussions with IMF managing director Michel Camdessus in Jakarta, Suharto finally agreed to go along. In a nationally televised address from his residence last week, he said the reform would

peg to the U.S. greenback. Lurking in the background are fears that China, relatively untouched by the regional crisis, might decide to use its currency to compete with the stronger neighboring currencies, triggering another damaging round of devaluation.

Even in Indonesia, the IMF plan does not take account of \$100 billion that Indonesia's corporations owe, primarily to banks in Japan and neighboring Singapore. If the private debt is renegotiated, another 100 billion could be in trouble. In the final analysis, Chery said, no one really knows what will happen in Asia over the next year or whether the region's woes will start. "Starting inflation comes suddenly," she said. "That is likely to get worse, especially on the political side."

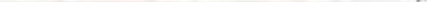
That seems a stretch, but in Indonesia, as in most of the countries plagued by his six children would be encouraged such as an exception for a national car project run by his youngest son, Tommy. The measures were also seen to affect senior banker Baron Bob Hasan, a close Suharto friend who presided a major strike last year in which miners fought out to be a thousand-mile-long by We-X Minerals Ltd. of Calgary. Analysts said the moves to strip Suharto's children of some of their perks will not be government's only. "It's necessary to implement in monetary terms," said David Chang, head of research at Jakarta's Trisakti Securities, "but it's important for investors to see that the government is not sparing well-connected individuals."

Yet Suharto's move to curtail his family's wealth was too little, too late for many Indonesians. When the rupiah plummeted, price-hunting broke out in Jakarta's supermarkets. A 52-year-old housewife named Mariana sat in a local supermarket, her cart piled high with powdered milk and rice. "I experienced food short ages before 1996 and it reminds me of that now," she said. At a market and where he was selling music cassette, Fidel, 28, said he hoped the dictator would leave soon. "I don't want to work that Suharto was not the president anymore," he said. "Now, I feel free enough to talk about that in the daylight."

Violence on the street are expected to increase as more people lose their jobs and the country falls into recession. In the past, ethnic Chinese, who make up four per cent of the population but control much of the wealth, have been blamed for the country's economic problems—and often attacked. Last week, scattered incidents of looting were reported in East Java.

So far the most vocal opposition to Suharto's rule has come from Megawati, who also enjoys the support of two of the country's most powerful Muslim leaders—Aman Abdurrahman, who heads the 25-million-member Muhammadiyah, and Abdurrahman Wahid, leader of the 30-million-strong Nahdlatul Ulama. A loose political alliance is developing among the three. But it has the potential to bring thousands of people into the streets. But does not believe Suharto will resign the government. He has always been haughty in maintaining his economic and political reforms," said Basu. "I don't have any confidence that he will suddenly change."

Suharto will be difficult to dislodge. The military leadership is considered solidly behind him, and the People's Consultative Assembly, which meets in March to select the president, is dominated by officers and members of Suharto's ruling Golkar party. There is little hope that Megawati could swing a sufficient vote even to be nominated in the assembly, which is now preparing to rechristen Suharto's seventh term in office. Nor is there any clear successor within Suharto's camp. Given his health problems, political analysts will examine closely his choice for vice-president. So will global financial analysts. If things go wrong in Indonesia—a nation that has known terrible turmoil in the past—the repercussions will be felt around the world.



Indonesia's financial crisis sparks calls for Suharto's ouster

Suharto signs IMF pact as Cossendine watches, opposition rally (left) fears of violence

return the country to prosperity. "Today is a special day," he said, appearing vigorous as he rose to draw on the sound of two coup fighting codes in the background. "We have signed an agreement that will solve the country's economic problems."

The region's currencies and stock markets stabilized following Suharto's decision to back the IMF. But many analysts wondered how long the calm would last. To Sputnik Asia, a research fellow at the University of Toronto's Center for International Studies, there are constant indications that the depth of the financial crisis across Asia is not fully understood—and is far from over. Last week, for instance, Japanese officials shocked many analysts when they admitted that the nation's banks were holding \$704 billion in bad loans, far higher than previously thought. In Hong Kong, Prudential Investment Holdings, Asia's biggest securities trader, went under, in large part due to its losses in Indonesia. Its collapse put new selling pressure on the Hong Kong dollar, which has so far maintained its

TOM FENNELL and JENNY GRANT in Jakarta

The President and Miss Jones

Dear Friend,

Fixing the government is an uphill battle, but I will not, I promise, back down.

Thank you in advance for helping me tell my case to our and supporting my belief that Bill Clinton should apologize for the terrible things he did and said to me while he was governor of Arkansas.

—Dr. Irakli Javakhishvili
From truly
Patricia R. Jones

Patricia Jones's appeal comes near the end of a four-page letter, professionally produced on cream-colored paper with an attractive letterhead border. A reply card comes with it, offering choices of \$50, \$25 or "whatever you can afford" to the Rutherford Institute, a conservative legal foundation based in Charlottesville, Va., that has ridden to Jones's rescue by promising to get the lawyers that are going to be in her suit against President Bill Clinton. The institute originally thought it would be on the hook for about \$300,000. Now, with the case heading for trial on May 27, its president, John Whitehead, admits the estimate was too low. But nothing more than Jones's general defense for the "terrible things" she says Clinton did to her, Whitehead insists, is a matter of principle. "We're committed to carrying this through, and we'll do it."

ANDREW PHILLIPS
IN WASHINGTON



solved to fight on for a full apology. Her lawsuit asks for \$855,000 (C\$110,000 Can.) in damages.

Since then, the Rutherford Institute has come to her aid. Whitehead, who normally takes cases involving religious freedom, says the issue is simple: "It's the right of a citizen to be free of sexual harassment. No one—be he king, emperor or president—should be above the law." He put Jones in touch with his legal team, led by Mark Rader, Campbell, Rader & Pyle, and planned to join the legal battle. A separate injunction, the Paula Jones Legal Fund, is also preparing to sue, by describing the burden on its Web site (www.pjlf.org) as "David versus Goliath." Clinton's senior press secretary, Jennifer Psaki, has a comment around Washington as coming from "a using the money to finance a fancy lifestyle and questioning the tax-exempt status of the Rutherford Institute. "Paula Jones is now driving a Mercedes-Benz subsidized by our tax dollars," said Psaki. "She's not welcome—she's a capitalist and an opportunist."

The fight is bound to get bigger, and if possible, even less dignified. One of Jones's most startling charges is that she coincidentally "highlighted" Clinton's peccadilloes. The President's lawyer, Dennis Ross, dismissed that last fall by saying that "in terms of size, scope, duration, whatever the details may want to choose, the President's a natural man." No one has said publicly what Jones might come in next, but The Washington Times reported in October that in an affidavit filed with the court in Little Rock, she says the characteristic as "a distinctly angled head visible when the pants were off."

However, avoidable last weekend's encounter was for Clinton, the stratosphere of which had to come out of the trial in May will surely be worse. Recent reports say that Jones now wants at least \$12 million (\$2.2 million Can.) as an apology to settle, and over the President acknowledged last week that a public trial would be inevitable. "Just try to get it over in a little box and do my work," he said in an interview. As the court date approaches, that will become a lot harder to do.

Efficiency expert

The UN's boss chooses a Canadian as his deputy

The boys at the anti-oligarch United Nations called them the "G-7," short for Girls Seven. During the mid-1980s, Canadian Ambassador Louise Fréchette, US ambassador Madeleine Albright and the ambassadors of Jamaica, Trinidad, the Philippines, Kazakhstan and Liechtenstein were the only women sitting in the UN General Assembly. So it was only natural that they would gravitate together, forming a loose club that met for lunch each month to talk about everything from the latest peacekeeping mission to the most recent generation of a woman within the UN bureaucracy. "It became quite an interesting sounding board," recalls Fréchette fondly. "We got to know each other quite well."

That could come in handy. Last week, Fréchette, 51, was named the UN's deputy secretary general, making her second-most-important at the behemoth world organization. And whether she succeeds at the new post could, at least in part, depend upon her old hand mate Albright, now the U.S. secretary of state.

Fréchette, considered one of the brightest stars in Canada's civil service, was full of vim and confidence during an interview from her New York City office. Yet she acknowledges she takes her post at a critical time. The United Nations has been assailed for waste and corruption, starved for funding, and increasingly asked to handle complex tasks for which it is ill-equipped. "This is one of these transitions to a different era," says Fréchette. "It is a time for the UN to redefine its mission and its role."

Secretary General Kofi Annan created the new position as part of his efforts to reform the organization. Annan's appointment as a neophyte to take charge of the male为主的

United Nations, the secretary of state was backed by his old mentor, Maurice Strong, who until the mid-1990s directed the top-to-bottom reforms designed to silence critics who saw the United Nations as bloated and badly run. His goal, says Fréchette, "is to make the United Nations work as efficiently and cost-effectively as possible and to prove that we use our limited resources to the best possible purpose."

Where is where Albright could come in. Just last week, the secretary of state was backing Republican congressional efforts to block a package of a bill that would reorganize some of the estimated \$2 billion the United States spends over the United Nations. So designate is theढढ़िदिरी organization that it has reportedly raised its pension fund to pay staff. No wonder Fréchette—like everyone at the United Nations—is jumping that her old friend succeeds. At their post lunch, they should have plenty to talk about.

JOHN DEMONT / GLOBE

GLOBAL PLAYERS

Louise Fréchette joins an impressive list of Canadian holding top posts in international organizations. Among them:

Donald Johnston, 61, secretary general of the Paris-based Organization for Economic Co-operation and Development, the so-called rich countries club. Johnston is a former Liberal cabinet minister.

Louise Arbour, 50, special prosecutor for the International War Crimes Tribunal in The Hague, which tries suspects from the former Yugoslavia and Rwanda. She was an Ontario appeal court justice.

Maurice Strong, 68, special adviser to UN Secretary General Kofi Annan and senior adviser to World Bank president James Wolfensohn. Strong is a long-time public servant and business executive.

Gen. John de Chastellain, 60, co-chairman of peace talks on Northern Ireland. He was formerly Canada's chief of defence staff.

Shepelle Lewis, 60, deputy executive director of UNICEF. An RD stalwart, he is a former Canadian ambassador to the United Nations.

Richard Pound, 55, Montreal-based vice-president of the International Olympic Committee. A lawyer, Pound negotiates the lucrative Olympic TV and sponsorship deals.

Jean-Louis Roy, 56, secretary general of the Paris-based Francopole, the organization of French-speaking countries. Roy is a former publisher of Montreal's *Le Droit* newspaper.

Enos (Nick) Hare, 58, deputy secretary general of the Commonwealth in London. Hare was previously director general of the Canadian International Development Agency.



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IRISH PEACE TALKS SET

Rebel groups from Northern Ireland agreed to proceed with peace talks in London later this month. The breakthrough came after Britain and Ireland set out fresh proposals that reduce a new Northern Ireland assembly and called to oversee co-operation on issues. But Sinn Fein, the political arm of the Irish Republican Army, said it would use the negotiations to oppose the new proposals.

A FRAIL POPE

Pope John Paul II prepared for his historic visit to Cuba this week amid growing concerns over his health. The pontiff, 77, who is widely reported to suffer from Parkinson's disease, appeared to totter during a baptism ceremony in Rome. He also looked thin when he made a visit to Rome's city hall. Five days later, Adam helped him climb the steps of the newly restored building after he missed his footing.

CORRUPTION CHARGED

U.S. Labor Secretary Alalis Hernan denied that she received kickbacks in exchange for influence peddling. The allegation arose in a TV interview with a businessman who claimed he gave her an unspecified sum of cash in 1994 when she was working in a White House aide. He said the money came from a client seeking a license for a satellite-telephone system. The Justice department may appoint a prosecutor to investigate.

MISSION TO ALGERIA

A European Community fact-finding mission on Algeria's mass killings finally arrived in the North African country after the EC agreed to send peacekeepers. Algerian officials explained that the lower-level delegation of diplomats was unacceptable. At least 70,000 people have died since 1992 in the struggle between Muslim militants and the military-backed government.

THE MARS DEBATE

Reports in the latest issue of the weekly *Science* cast doubt on assertions by NASA scientists that organic chemicals in a meteorite from Mars could be evidence that life once existed on the red planet. According to the latest reports, the chemicals are most likely of earthly origin and contaminated the meteorite after it crashed in Antarctica thousands of years ago.



STILL THE RIGHT STUFF: Diligent to be space-bound once more, Sen. John Glenn gestures alongside a 38-year-old photo of himself at NASA headquarters in Washington, where it was announced that he is again scheduled to make history. The earlier photo was taken on Feb. 28, 1962, not long before Glenn boarded the capsule Friendship 7 and rocketed into space to become the first American to orbit Earth. Next October, the Ohio Democrat, who will be 77 at the time, will head back into space aboard the shuttle Discovery as part of an experiment about space and aging. Glenn will become the world's oldest astronaut—and once again a poster boy for a publicity-conscious agency.

Clinton makes a bid for peace

In the most powerful bid yet to salvage the faltering Middle East peace process, this week, U.S. President Bill Clinton was due to meet in Washington with Israeli Prime Minister Benjamin Netanyahu and Palestinian leader Yasser Arafat. During the separate encounters—with Netanyahu on Tuesday and Arafat on Thursday—Clinton hoped to break the 10-month impasse between Israelis and Palestinians that is threatening to unravel the 1993 peace agreement signed between the two sides in Oslo, Norway. As a prelude to restarting the stalled talks as a long-term settlement, Clinton was expected to urge Israel to withdraw from more West Bank territory and call a

halt to Jewish settlements in occupied land. In turn, he would ask the Palestinians to crack down harder on guerrilla violence.

The early signs, however, were not encouraging. On the eve of Netanyahu's departure for Washington, his right-wing cabinet insisted that any territorial withdrawal would hinge on Palestinian compliance with a 12-page list of security demands. Even more ominous, the cabinet also declared large chunks of the occupied West Bank to be "valid national interests," suggesting that the territory in question would never be ceded. "Not helpful" was the very one senior U.S. official described the cabinet's list of preconditions.

Girding for a new showdown in the Gulf

Tensions mounted once again in the Gulf after Iraq twice prevented a UN arms inspection team from operating. Baghdad accused team leader Scott Ritter, a former U.S. marine officer, of being an American spy. Ritter and the other 15 members of his team left Baghdad for New York City, the chief UN arms inspector, Australian diplomat Michael Butler, headed in the opposite direction to talk with Iraq leaders to demand full access to inspected chemical and biological weapons sites. But in a defiant speech at week's end, Iraqi President Saddam Hussein threatened to halt the inspections altogether unless sanctions against his country were lifted.



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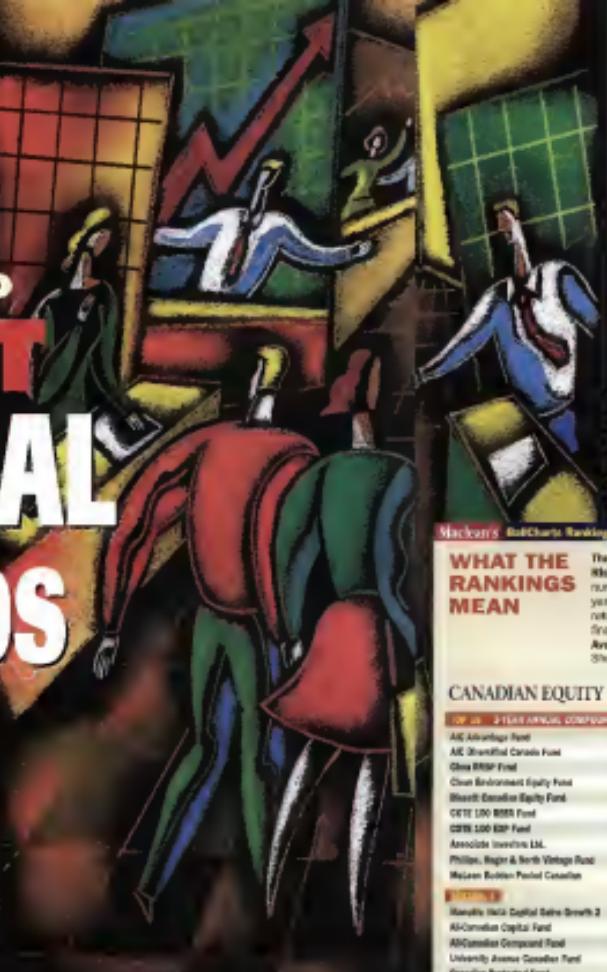
MUTUAL FUNDS

The Simplified Prospectus contains important information about this Fund. Copies are available from *Guardian* or an authorized dealer. Read them carefully before investing. Use value and investment return will fluctuate. The rates of return shown are the annual returns for 1 year and the annual compound total returns for the other periods ended November 30, 1997, including changes in unit value. The rates of return assume reinvestment of all distributions and do not take into account sales, redemption or administrative charges payable by holders, which would have reduced returns. Rates of return shown are for the Classic Fund, unless for the Mutual Fund Units will differ. Past performance is no guarantee of future results.

THE **BEST AND WORST** **MUTUAL FUNDS**

BY BOBBY LAVES

First, the good news: the bear didn't strike in 1997, although only the hard-of-hearing could have missed the growling and gnashing of bath off in the distance. With panic sweeping through Southeast Asian financial markets and share prices zigzagging wildly on computer screens around the globe, stock market investors needed patience and steady nerves to hang in when many of the pros were advising them to sell. For holders of Canadian equity mutual funds—the basic ingredient in many investors' investment portfolios—the reward for keeping the bath was an average 1997 return of 13.6 per cent, down



The investment outlook is more uncertain than it has been in years

three percentage points higher than the stock market's long-term historical average.

The bad news: As 1998 gets under way, the investment outlook is more uncertain than it was in years—marked by the 13 percent drop in the Toronto Stock Exchange 300 composite index since Jan. 1. Economists are still struggling to assess the full extent of the Far East crisis, but even the optimists acknowledge that it will dent deeply into demand for Canadian forestry and mining products, rendering unlikely a speedy recovery in the share prices of some of the country's biggest companies. Some analysts go much further, suggesting that the erosion of currency dominance in South Korea, Thailand and other Asian-Pacific countries will weaken companies that do business in that part of the world and force North American manufacturers to compete against a flood of cheaper imports from Asia to computer parts.

If those predictions are right, Canadian investors may be in for a noisy surprise this year. If they are wrong, investors who opt to reassess the salesmen in the early months of 1995 may miss out on some sensational bargains—bads that are taking a big hit recently but could recover quickly if analysts decide that the seriousness of the Asian situation has been overblown. "The big problem, of course, is that nobody knows re-

What's going on in Asia and what the ultimate impact will be," says Fred Pyne, Canadian equity fund manager for Bissett & Associates Investment Management Ltd. in Calgary. But said Pyne is convinced that investors have been told into a sense of security by several years of above-average gains. (The most recent four months, however, are usually defined as a drop in securities prices 15 per cent or more, based from January to October of 1986.) "You have to be prepared for occasional down markets," Pyne warns. "This market's been very good to people, and I think a lot of people have let their guard down."

How good has the market been? That all depends on where investors put their money, as it is seen from this year's *McCart's* mutual of savings, calculated by BrCharts Inc, an independent Tatlock-based company that analyses and performance. The accompanying tables show the best and worst funds in six major categories based on three different measures: the annual compound return over three years, the risk-adjusted return over three years, and the average annual return in each of the past five years. This 20-page report also includes a follow-up assessment of funds that finished in last year's ranking (page 36), a mutual fund readable with analysis and advice from the experts (page 40) and a report on the borrowing

McLean's BestShops Awards

WHAT THE RANKINGS MEAN

three-year annual compound return. Annual compound return over three years to Dec. 31, 1997
adjusted three-year return: A ratio that measures return against the degree of risk. The
 number is arrived at by subtracting the amount of money an investor would have made over these
 years by investing in 90-day treasury bills (which are risk-free) from the fund's three-year compound
 return. The result is then divided by its standard deviation—a measure of volatility. The higher the
 the number, the greater the return for the amount of risk.

average one- to five-year annual return: The average of the returns in each of the past five years, which reflects performance best in the medium term.

CANADIAN FOULTRY 9

¹⁰ See *id.* at 1000; *id.* at 1001 n.1 (citing *id.* at 1000); *id.* at 1001 n.2 (citing *id.* at 1000).

3-YEAR ANNUALIZED COMPOUND RETURN		5-YEAR ANNUALIZED COMPOUND RETURN		10-YEAR ANNUALIZED COMPOUND RETURN	
ABC Advantage Fund	16.2%	ABC Diversified Income Fund	9.5	ABC Advantage Fund	39.7%
ABC Diversified Income Fund	10.1	ABC Advantage Fund	9	ABC Postured Income Fund	31.8
ABC RISIP Fund	25.8	ABC RISIP Fund	14.8	Navigator Value Investment Portfolio	21.9
ABC Environmental Equity Fund	29	Associate Investors Ltd.	14.7%	Syndicate Canadian Growth Fund	25.5
ABC Small-Cap Equity Fund	22.7	ABC Canadian Fund	12.3	Small-Cap Canadian Equity Fund	23
ABC LINC RISIP Fund	35.9	ABC Environmental Equity Fund	1	Small Environment Equity Fund	22.8
ABC LINC RISIP Fund	25.8	ABC Small-Cap Equity Fund	8.7	ABC Growth Equity Fund Ltd.	22.9
ABC Specialized Investors Ltd.	33.6	Specialized Capital Fund	14.4	Time-Capsule Portfolio Fund	25.2
Hillier, Wagner & North Venture Fund	28.5	CVIIL ABC-ESIP Fund	8.0%	Universal Patent Fund	25.1
Hillier, Wagner & North Specialized Investors	24.6	Canfield Security Fund-A	1.9%	Philipps, Argus & North Venture Fund	25
2010 FUND RANKINGS					
Security 1000 Capital Series Growth 2	5.8	Alt-Growth Capital Fund	8.8	University Assets Canadian Fund	2.5
Formulon Capital Fund	5.7%	Manulife Ultra Capital Series Growth 2	8.1%	Manulife Ultra Capital Series Growth 3	9.6
Quantitative Compendium Fund	5.4	Alt-Growth Compendium Fund	8.1	Manulife Canadian Fund	8.7
University Assets Canadian Fund	5.3	University Assets Canadian Fund	8	Manulife Kids' Gap-Gains Growth 2	9
University Assets Canadian Fund	5.3	University Assets Canadian Fund	8		

number of internet sites with information of use to Canadian investors (page 50). In addition, there is a feature profile of money manager Jonathan Wilson of Burlington, Ont.-based Fund Ltd., whose controversial investment style has yielded huge gains for unit-holders throughout the recent bull market. Wilson's All Advantage Fund piled up an astounding 90.3 percent annual compound return over the past three years, putting it at the head of the class for Canadian equity funds for the second year running.

Out of the more than 1,500 mutual funds available to Canadian investors, the charts on the following pages identify funds that have performed exceptionally well or poorly in the recent past. (The figures shown are not all of management fees and are based on total returns, including dividends, to Dec. 31, 1997.) Funds that have been in existence less than three years were not included in the rankings. Nor do the rankings consider specialty funds, such as those that invest primarily in precious metals or resources, which tend to be more volatile than other stock-based funds and are therefore suitable mainly for experienced investors.

Experts caution, however, that a fund's history is no guarantee of future performance, a point underlined by the wide variation in the returns generated in 1997 by funds that scored highly in last year's *Maclean's* fund rankings. As well, market returns for investors should not put money into any fund without defining their objectives and examining the fund's particular investment style. Stock-based funds, for example, are typically suitable only for people who can afford to leave their savings invested for at least four or five years. If the money is likely to be needed sooner—for retirement income, a child's education, or some other purpose—the investor might be forced to sell at a time when share prices are at a sharp

In addition to the rankings of best and worst funds, this year's report includes a special listing of "best-of-class" mutual funds based on a more detailed rating system that takes into account past performance, volatility and consistency over three years. The funds that score highest according to this approach are not always the ones that have earned the highest returns. Instead, they have tended to produce returns significantly above the average on a consistent basis in the recent past given the amount of risk they took with shareholders' money.

BellCharts president Rob Bell says the ratings are intended to assist investors in making their selections, but should only be used as a starting point. "Blindly buying a fund solely because it has a high score is fraught with danger since there is no understanding of the nature of the investment," he says. Even top-rated funds, he adds, "will have their down periods." An investor's best strategy is often to accept those dips as investments "and ride them out, even better, use them as buying opportunities."

Over the past 12 months, that is exactly what many Canadian mutual fund

Maclean's Marketing Solutions Poll

Survey responses are based on telephone interviews between Oct. 16 and Oct. 26 with principal or joint financial decision-makers in 650 Canadian households with at least \$10,000 in savings. The figures given are considered accurate to within plus or minus 3.8 percentage points, 18 times out of 20. A total of 327 respondents were interviewed again after the Oct. 27 market drop to determine whether that event had altered their views. Results from these responses are considered accurate to within 5.8 percentage points, 18 times out of 20.

Household ownership of mutual funds in Canada: 37%

Among households with more than \$20,000 in savings:



Source: Marketing Solutions Inc.

Bottomline:
most people have unrealistic expectations



Short-term investors may be forced to sell in a weak market

owners were doing. The year began with a sharp run-up in share prices on the TSX, but the fear of rising interest rates—which tend to depress corporate earnings and increase the attractiveness of low-risk fixed-income securities—kept stock market investors on edge for most of 1997. In April and again in August, major North American stock indices drifted steadily downward, only to rebound quickly on both occasions and go on to establish new record highs. "People learned not to worry whenever the market dropped 10 per cent, because each time it bounced back again in three or four weeks," says Ken Binsted, executive vice-president of Marketing Solutions, a financial services consulting firm based in Toronto.

That sentiment is clear in the results of an exclusive *Maclean's* poll carried out for the magazine by Marketing Solutions. Telephone interviews were conducted between Oct. 16 and Oct. 26 with principal or joint decision-makers in a representative sample of 650 households with at least \$10,000 in savings. (Results are considered accurate to within 3.8 percentage points, 18 times out of 20.) Nationally, 60 per cent of the

Q: How satisfied are you with the funds you hold?



Maclean's 8 Best-Charis Rankings

CANADIAN SMALL CAP

Funds that invest in small and midsize corporations (3 years: 43 funds; 5 years: 23 funds)

TOP 10 3-YEAR ANNUAL COMPOUNDED RETURNS

Fund	3-Year Annual Compounded Return
Grande Reserve Growth Fund	37.6%
Millennium Small Cap Fund	26.3
Investec Small Cap Fund	30.3
Scotiabank Equity Fund	28.8
Quebec Investors Classic	29.2
Multiple Opportunity Fund	27.6
Talented Investors Small-Cap Canadian Equity	29.3
20-30 80% Alternative Equity	26.7
Investec Investors Small-Cap Canadian Equity	26.7
Quebec Investors Company	28.5

TOP 10 5-YEAR ANNUAL COMPOUNDED RETURNS

Fund	5-Year Annual Compounded Return
Noelle Investors Fund	20.0
Medley Canadian Growth Company	7.8
Bleeding Small-Cap Fund	6.8
Quebec Small-Cap Fund	5.2
Millennium Small-Business Fund	5.0
Galaxy Special Growth Fund	4.8
Investec Special Growth Fund	4.5
Quebec Investors Classic	5.4
Talented Investors Small-Cap Canadian Equity	5.2
Quebec Investors Small-Cap Canadian Equity	5.2

TOP 10 3-YEAR ANNUAL RETURNS

Fund	3-Year Annual Return
Multiple Opportunities Fund	16.25
Investec Small-Cap Fund	15.7
Millennium Equity Fund	15.4
Scotiabank Equity Fund	17.4
Quebec Investors Fund	16.0
Spectrum United Long-Term Fund	15.8
Cambridge Special Equity	12.2
Quebec Investors Classic	13.7
GRIC Canadian Small-Cap Fund	12.1
Quebec Small-Cap Fund	10.0

Bottomline

Response	Percentage
Mostly Canadian	62.5
Mostly Small-Business Fund	31.1
GRIC Canadian Small-Cap Fund	30.6
Investec Small-Cap Fund	9.0
Cambridge Special Equity Fund	2.8

CANADIAN BOND

Funds that invest in bonds and other fixed-income securities (3 years: 103 funds; 5 years: 85 funds)

TOP 10 3-YEAR ANNUAL COMPOUNDED RETURNS

Fund	3-Year Annual Compounded Return
Atlanta Bond Fund	14.45
Mark's Advantage Bond Fund	13.292
BellRock Strategic Obligation	13.239
Maximus Income Fund	13.24
McCollum Rubber-Painted Fund Income	13.21
Spectrum United Long-Term Fund	14.71
Quebec Investors Bond Fund	14.706
Optimum Obligation	14.3
GRIC Canadian Bond Fund	14.2
DeGroote's Bond Fund	14.127

TOP 10 5-YEAR ANNUAL COMPOUNDED RETURNS

Fund	5-Year Annual Compounded Return
Peak's Preferred Bond Fund	3.6
Mark's Canadian High-Yield Bond Fund	7.3
McCollum Rubber-Painted Fund Income	10.87
DeGroote's Bond Fund	13.43
Quebec Investors Bond Fund	13.43
DeGroote's Bond Fund—Obligation	13.3
GRIC Obligation Fund	13.3
DeGroote's Bond Fund—Obligation	13.3
Quebec Investors Bond Fund	13.3
DeGroote's Bond Fund Income	13.3

TOP 10 3-YEAR ANNUAL RETURNS

Fund	3-Year Annual Return
Atlanta Bond Fund	6.75
DeGroote's Bond Fund	13.24
McCollum Rubber-Painted Fund Income	13.24
GRIC Canadian Bond Fund	13.24
DeGroote's Bond Fund—Obligation	13.24
Quebec Investors Bond Fund	13.24
DeGroote's Bond Fund Income	13.24
GRIC Bond Fund	13.24
DeGroote's Bond Fund—Obligation	13.24
Quebec Investors Bond Fund	13.24

The flow of fresh money into funds has begun to slow

respondents said they had money invested in mutual funds. Broken down by region, fund ownership varied from a low of 50 per cent in the Atlantic provinces to a high of 64 per cent in Ontario.

By a wide margin, respondents who invest in mutual funds said they are pleased with their decision to do so. Fifty-five per cent said they are "very satisfied" with the funds, while 40 per cent are "somewhat satisfied." Only four per cent were "dissatisfied" to some degree. Similarly, 56 per cent said they are "very" or "somewhat confident" that mutual funds are the best investment for them right now. Asked how they choose the fund in which they have the largest amount of money invested, 47 per cent said they based their decision on the performance or reputation of the fund. The next largest group, 34 per cent, said they acted on the recommendation of a friend or financial adviser.

As it turned out, the poll was completed just before a sharp drop in Hong Kong stock prices triggered a wave of selling on North American stock markets in late October. To find out whether that event had shaken investors' confidence, the survey's organizers conducted a series of follow-up interviews with half of the original sample. Ninety-two per cent of the respondents were aware of the dramatic fall in stock values, yet the vast majority—94 per cent—continued to express confidence in mutual funds as their best investment.

Most to the point, 50 per cent of those interviewed after the Oct. 29 market drop said they had done nothing to change their investment mix and had not sought advice about whether they should do so. A quarter of the sample said they had talked to someone who normally advises them about their investments, a similar number said they had consulted a friend who is knowledgeable about the stock market. Yet in spite of all the obvious concern,

on the part of many investors, there was no indication of fear or panic. In fact, 17 per cent took the opportunity to put more money into mutual funds, while only three per cent decided to sell some of their funds.

Looked at one way, these results suggest that



Hong Kong
traders are one
yet know the
full impact
of the crisis

Maclean's mutual funds rankings

CANADIAN BALANCED Funds with mixed portfolios of stocks and bonds (3 years: 131 funds; 5 years: 106 funds)

TOP 10 3-YEAR ANNUAL COMPOUND RETURN

	3-YR. ANNUAL COMPOUND RETURN
Pitney Bowes Asset Allocator	32.5%
Common Sense Asset Builder II	21.8
Common Sense Asset Builder V	20.8
Common Sense Asset Builder IV	21.3
Common Sense Asset Builder VI	20.3
Reserve Retirement Fund	20.7
FMGQ Investment Fund	20.8
In-Growth and Income Fund	20.4
Global Strategic Income Plus Fund	20.2
Invesco Balanced Growth Fund	20.1

TOP 10 5-YEAR ANNUAL COMPOUND RETURN

	5-YR. ANNUAL COMPOUND RETURN
Ing Investors Fund	19.2
Global Strategy Income Plus Fund	8
US Private Balanced Fund	7.8
Common Sense Asset Builder V	7.6
Common Sense Asset Builder III	7.3
Reserve Retirement Fund	7.3
Common Sense Asset Builder III	7.3
Common Sense Asset Builder I	7.275
Common Sense Asset Builder IV	7.215
Common Sense Asset Builder III	7.204

TOP 10 3-YEAR ANNUAL COMPOUND RETURN

	3-YR. ANNUAL COMPOUND RETURN
AGF Multi Managed Fund	35.4%
Industry Portfolio Fund	22.5
Class Environment Balanced Fund	18.3
Global Strategy Income Plus Fund	17.3
Calvert Associates Fund	16.8
Summa Balanced Fund	16.7
Bluestar Retirement Fund	16.5
Scope Balanced Growth Fund	16
USG Private Retirement Fund	16.0
FMQG Investment Fund	15.8

U.S. EQUITY Funds that invest in shares of U.S. companies (3 years: 81 funds; 5 years: 60 funds)

TOP 10 3-YEAR ANNUAL COMPOUND RETURN

	3-YR. ANNUAL COMPOUND RETURN
Global Manager U.S. Growth Fund (SGIUS)	46.3%
Co-operative U.S. Equity Fund	42.7
AGF Value Fund	34.7
IRG U.S. Equity Fund	31.2
Class Associates Fund	31.14
Reserve Retiree Pooled American	21.08
AGF North American Equity	19.7
Green Line U.S. Index Fund (GULUS)	18.7
Green Line U.S. Index Fund (GULUS)	18.7
Global Manager U.S. Growth Fund (GULUS)	17.27

TOP 10 5-YEAR ANNUAL COMPOUND RETURN

	5-YR. ANNUAL COMPOUND RETURN
AGF Value Fund	31
AGF North American Equity Fund	28.8
AGF U.S. Equity Fund	27.3
AGF North American Equity Fund	27.3
AGF Multi Managed Fund	26.8
AGF North American Equity Fund	26.8
AGF North American Equity Fund	26.8
AGF North American Equity Fund	26.8
AGF North American Equity Fund	26.8
AGF North American Equity Fund	26.8

TOP 10 3-YEAR ANNUAL COMPOUND RETURN

	3-YR. ANNUAL COMPOUND RETURN
AGF North American Equity Fund	27.3
AGF Multi Managed Fund	26.8
AGF North American Equity Fund	27.3
AGF North American Equity Fund	27.3
AGF North American Equity Fund	27.3
AGF North American Equity Fund	27.3
AGF North American Equity Fund	27.3
AGF North American Equity Fund	27.3
AGF North American Equity Fund	27.3
AGF North American Equity Fund	27.3

Market's Marketing Solutions Poll

Percentage of respondents who reported doing one of the following after the October, 1997, market drop:



(Respondents were allowed multiple answers.)

something that over the long term has tended to happen about once a year. At the close of trading last week, for example, the TSX 300 was down 791 points, or 31 per cent, from its record close of 2,310 set on Oct. 7.

Of course, the longer the Asian crisis lasts, the more likely it is that investors will lower their expectations. Although the final numbers for December will not be available until this week, there are signs that the flow of new money into mutual funds dropped sharply last month after a strong November. As of Nov. 30, total mutual fund assets in Canada stood at \$278 billion, up from \$312 billion at the start of 1997. Not only have new contributions dropped off, industry representatives say, but what money is being invested is going into more conservative bond and balanced funds, rather than Canadian and foreign equities. "There still is a flow of money into that fund, but not much," says John Westfall, manager of Toronto Dominion Bank's Green Line Canadian Equity fund.

"There are storm clouds ahead in financial circles, and Canadian's propensity to buy mutual funds in the short term is declining," adds Karl Schell, managing director of TD Asset Management Inc. "People are moving some of their assets to more safe investments, looking out some of those very significant equity areas that they have earned over the last couple of years and rebalancing some of those back into fixed income investments."

In much the same way, many fund managers are rebalancing

Where are they now?

A critical look back at the top funds of 1996

As "top fund" rankings are a good way to choose mutual funds, before rushing out to buy the best-performing funds of 1997, it's worth taking a moment to consider how well the top funds in last year's rankings did.

Given the hot market of 1997, "winning" will be put to the test. An investor who put \$10,000 into Equitable Life's Segregated Contract Stock Fund, one of the top-rated Canadian equity funds in last year's *Money* rankings, would have had \$11,239 on Dec. 31, for a return of 13.2 per cent. But the same amount invested in a basket of stocks representing the Toronto Stock Exchange 300-composite index would have done even better, gaining nearly 15 per cent. In other words, what would have been a good return in most years was actually rather ordinary.

Despite their well-managed managers, only 41 per cent of Canadian equity funds squared off higher figures than the stocks that made Maclean's top 10 list for 1996, based on three-year annual compound returns. Still, some had above-average performances, but two lost money.

Returns for last year's top bond and balanced funds were respectable. Eight of the bond funds finished above average, and all seven of the balanced funds. Five of the bond funds, in fact, beat up to their top 10 status this year. However, some bond funds lived up to their reputation for volatility. Three of the 1995 top 10 returned more than 20 per cent, while half dipped into the red. Five of the top U.S. funds turned in above-average returns, so did all of the top High-Yield funds of 1996, despite the Asian crisis.

Investors had based their selection on the *Money* rankings a year ago. Would they have some time to bond about a RISCP winner? BellCharts, the firm that compiled the ranking data, calculated what would have happened if, at the start of 1997, an investor had put \$10,000 into the first-ranked fund in each of the following categories: Canadian equity, Canadian bond, global equity, and U.S. equity.

The "top 10" portfolio" included one minor disappointment. While the other top 1996 U.S. funds experienced growth of 20 per cent or more, Universe U.S. Emerging Growth soured in at only 4.7 per cent. Overall, however, the portfolio outperformed the average by 3.5 percentage points, worth an additional \$1,417.85.



RegalCharts
vice-president
Aftermarket
research

Other funds from last year's top 10 show just how risky it can be to rank selections based on rankings alone. The Pacific Special Equity fund investor received the Lom Knowledge Industries Fund, ranked an encouraging eighth among Canadian small- to mid-cap funds last year, with a three-year annual compound return of 26 per cent. But its return for 1997 was a dismal -23.8 per cent. On the other hand, one fund enough to choose Cambridge American Growth, which finished in the bottom five of U.S. equity funds last year with a three-year compound return of 19.4 per cent, would have been rewarded with a stellar 40 per cent.

Does this mean fund rankings are the financial equivalent of insurance judgements? Is it wise to invest in the top-rated funds? One lesson consumers can take from looking at the performance of last year's funds "is the fallibility of any system," says John Russell, research director at the Investment Funds Institute of Canada. Rankings are worth considering, says Russell — although that doesn't mean scientific basis is better than just taking a guess. "But a whole host of other factors, such as personal investment goals and how well a fund matches them, must be considered as well."

Nor should investors drop a fund just because it came in below expectations. Investors, Russell says, should look at performance over several years and try to understand the reasons why a fund may have ranked low in a given year.

As the overall results of the "top 10 portfolio" indicate, it is also wise to focus on the performance of an individual fund. "Maybe you had a couple that weren't stars," says Russell, "but the rest are 'holistic.' You should be looking at your total portfolio." And compared with putting money into GICs at four per cent, even many of 1997's disappointing funds were still a pretty good investment.

The \$40,000 portfolio

Value as of Dec. 31, at \$10,000 invested at the beginning of 1997 in each of four funds that showed highest in their categories in last year's *Money* & *RegalCharts* rankings*

Value at Dec. 31, 1997

AG Advantage Fund (Can. equity) \$14,265.78

BellCharts-See-Through Fund (Can. bond) \$11,696.78

Templeton Fund (Global equity) \$11,599.48

Universal U.S. Emerging Growth (U.S. equity) \$11,407.08

Total: \$47,461.38

One-year return: 58.75

Average return earned by all funds in these categories: 55.25

Markets from December 31.

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Out of the more than 1,500 mutual funds in Canada, the 60 funds listed alphabetically below were judged the best in their respective categories over the past three years, based on ratings prepared for MacLean's by BellChase Inc., a fund research firm. To make the grade, funds needed to offer consistent above-average returns given the degree of risk they took. Specifically, the selection process

took into account how much better it was to invest in a particular fund versus a risk-free investment such as a treasury bill. It downplayed three periods when returns were unusual, focusing on how well the fund normally performed. And it compared the fund with a broad basket to see how much better it did, how much risk was required to get those additional returns, and how predictable its performance was.

Fund Type	Assets	The total assets of money managers, managing the fund			determine whether the fund can outperform its risk-free benchmark by adding only its best performance			determine whether the fund can outperform its risk-free benchmark by adding only its best performance			The best fund manager must have had more money for 12 months than the other 11 funds in its category and must have been consistent in doing that over 20 years, or since the fund has been in existence, whichever is longer			Growth of Money	Managed Money Ratio	
		1-Year Returns	3-Year Returns	5-Year Returns	10-Year Returns	HFRI Eligibility	Standard Deviation	West 12 months	West 12 months	East 12 months	1-Year Returns	2-Year Returns	3-Year Returns			
The type of investment contained in the fund																
Bank Fund																
Bank of Montreal Fund	\$1.1 billion	6.2	10.8	9.2	HFRI	11.1	-3.5	17.6	25	1.37						
Bank of Nova Scotia Fund	\$1.2 billion	5.7	-2.5	5.5	6.7	HFRI	5	30.2	44.7	58%	3.67					
Bank of Prince Edward Island Fund	\$1.3 billion	6.3	46.1	36.1	26.8	HFRI	5.1	-30.1	94.5	38%	2.58					
Bank of Toronto Fund	\$1.2 billion	32.1	45.1			HFRI	3.8	36.2	38.4	8%	2.89					
Bank of Vancouver Fund	\$1.5 billion	32.3	38.7	38.1		HFRI	3.5	-7.2	64.3	75	2.81					
Bank of Western Canada Fund	\$1.5 billion	32.3	37.7	37.1		HFRI	3.5	-7.2	64.3	75	2.81					
Bank of Montreal Long-Term Fund	\$1.6 billion	32.3	37.7	37.1		HFRI	3.5	-7.2	64.3	75	2.81					
Bank of Montreal Short-Term Fund	\$1.6 billion	32.3	37.7	37.1		HFRI	3.5	-7.2	64.3	75	2.81					
Bank of Nova Scotia Short-Term Fund	\$1.6 billion	32.3	37.7	37.1		HFRI	3.5	-7.2	64.3	75	2.81					
Bank of Prince Edward Island Short-Term Fund	\$1.6 billion	32.3	37.7	37.1		HFRI	3.5	-7.2	64.3	75	2.81					
Bank of Toronto Short-Term Fund	\$1.6 billion	32.3	37.7	37.1		HFRI	3.5	-7.2	64.3	75	2.81					
Bank of Vancouver Short-Term Fund	\$1.6 billion	32.3	37.7	37.1		HFRI	3.5	-7.2	64.3	75	2.81					
Bank of Western Canada Short-Term Fund	\$1.6 billion	32.3	37.7	37.1		HFRI	3.5	-7.2	64.3	75	2.81					
Bank of Montreal Bond Fund	\$1.7 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Nova Scotia Bond Fund	\$1.7 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Prince Edward Island Bond Fund	\$1.7 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Toronto Bond Fund	\$1.7 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Vancouver Bond Fund	\$1.7 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Western Canada Bond Fund	\$1.7 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Montreal Equity Fund	\$1.8 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Nova Scotia Equity Fund	\$1.8 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Prince Edward Island Equity Fund	\$1.8 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Toronto Equity Fund	\$1.8 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Vancouver Equity Fund	\$1.8 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Western Canada Equity Fund	\$1.8 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Montreal Bond Fund	\$1.9 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Nova Scotia Bond Fund	\$1.9 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Prince Edward Island Bond Fund	\$1.9 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Toronto Bond Fund	\$1.9 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Vancouver Bond Fund	\$1.9 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Western Canada Bond Fund	\$1.9 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Montreal Equity Fund	\$2.0 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Nova Scotia Equity Fund	\$2.0 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Prince Edward Island Equity Fund	\$2.0 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Toronto Equity Fund	\$2.0 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Vancouver Equity Fund	\$2.0 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Western Canada Equity Fund	\$2.0 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Montreal Bond Fund	\$2.1 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Nova Scotia Bond Fund	\$2.1 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Prince Edward Island Bond Fund	\$2.1 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Toronto Bond Fund	\$2.1 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Vancouver Bond Fund	\$2.1 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Western Canada Bond Fund	\$2.1 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Montreal Equity Fund	\$2.2 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Nova Scotia Equity Fund	\$2.2 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Prince Edward Island Equity Fund	\$2.2 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Toronto Equity Fund	\$2.2 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Vancouver Equity Fund	\$2.2 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Western Canada Equity Fund	\$2.2 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Montreal Bond Fund	\$2.3 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Nova Scotia Bond Fund	\$2.3 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Prince Edward Island Bond Fund	\$2.3 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Toronto Bond Fund	\$2.3 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Vancouver Bond Fund	\$2.3 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Western Canada Bond Fund	\$2.3 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Montreal Equity Fund	\$2.4 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Nova Scotia Equity Fund	\$2.4 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Prince Edward Island Equity Fund	\$2.4 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Toronto Equity Fund	\$2.4 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Vancouver Equity Fund	\$2.4 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Western Canada Equity Fund	\$2.4 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Montreal Bond Fund	\$2.5 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Nova Scotia Bond Fund	\$2.5 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Prince Edward Island Bond Fund	\$2.5 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
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Bank of Montreal Equity Fund	\$2.6 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Nova Scotia Equity Fund	\$2.6 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
Bank of Prince Edward Island Equity Fund	\$2.6 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
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Bank of Montreal Bond Fund	\$2.7 billion	1.1	1.1	1.1	1.1	HFRI	1.1	-1.1	1.1	1.1	1.1					
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Bank of Toronto Bond Fund	\$2.9 billion	1.1	1.1	1.1	1.1											

Caution: rough road ahead



Richards (left),
with Brooklin
and Krasner:
1998 could be
a stormy year

Three pros
give frank
advice on
protecting
your money

McMACHIN'S MUTUAL FUND FOUNDERABLE

After three years of impressive gains for stock-based mutual funds, the investment outlook has suddenly turned cloudy. MacLean's asked three seasoned professionals—Eric Krasner, professor of finance at the University of Toronto; Wendy Brooklin, manager of asset consulting at Towers Perrin; and Dan Richards, president of the Toronto-based financial services consulting firm Marketing Solutions—to discuss the current state of the market and the best strategies for individual investors. Highlights

MacLean's: In 1997, the average equity mutual fund in Canada gained 13.6 per cent. Should investors be celebrating?

Krasner: I consider 13 per cent a good year. The average return over the past 40 or 50 years is somewhere around 10 per 10.5 per cent. The problem, I think, is that investors have been influenced by the 15-18 per cent average in the previous five years.

Brooklin: The first thought I have is that Canadian equities have

been outperformed over the past 15 years by the U.S. market and by bonds, so in that sense we haven't done well at all. Unfortunately,

people don't realize they've been investing in a unique environment, and with the Asian crisis they've got to consider the implications of a domino effect environment. We've got to remember that we're investing in a currency that's always going to be volatile in relation to the U.S. dollar, in a market dominated by cyclical industries. So our money is being held hostage in quite a dangerous environment.

MacLean's: Do you believe a disaster is looming?

Brooklin: Well, disaster starts with a B and so does deflation, so that's the link. Frankly, I think a lot of investors don't even know what kind of return they earned in 1997. They've invested in mutual funds, which is better than trying to run their own portfolios for the most part, but beyond that they're simply choosing the fund companies with the largest advertising budgets and thinking, 'This must be a high-quality company.' They may not realize that their supposedly high-quality mutual fund actually earned three per cent.

Richards: I think it's a gross overstatement to talk about a doomsday environment. Sure, we're not in all likelihood going to see dramatic improvements over the 10- or 15-year average. We could be looking at single-digit returns, and those will at some point be a year or two or three of flat or negative returns. The big problem with the specific expectation, it's the readiness for a prolonged downturn. And the one absolutely consistent trap that Canadian investors fall into is the all-or-nothing mindset. They put everything into GICs or everything into bond funds or everything into equity, and so they become vulnerable to a roller-coaster ride.

MacLean's: Looking back over 1997, has the stock market been market-dragged by solid money, investors were so eager to sell their holdings?

Brooklin: Yes, it's interesting that mutual fund contributions in November were higher than in October—we saw more money going in than going out. Most people seemed to be feeling that the market had already peaked, so there was no point in selling.

Richards: Here's my take on what happened: a year ago we asked investors what they would do if there was a 15-per-cent decline in the market, and only 12 per cent said they would sell compared with a quarter who said they would buy. When you look at what happened in March and August, there was a very similar pattern: new contributions dried up, but there was virtually nothing in terms of redemptions. And investors were rewarded for this, because four weeks later the market was back up. After Grey Monday in October, we had a lot of people saying 'no, I shouldn't sell, but should I buy?' The real issue is that investors are conditioned for the market to go down but not for it to stay down. And what's different this time is that rather than an immediate bounce-back, the market is experiencing significant volatility. So while November was a good month for mutual fund sales, December was very slow because there's a dramatic increase in the level of investor nervousness.

MacLean's: Is it time for investors to change strategy?

Krasner: This is my biggest concern. In my opinion, the majority of investors should have done nothing in October and nothing in No-

ve either. Assuming they had a proper portfolio balance—something like 20 per cent in treasury bills, 30 per cent in bonds and 50 per cent in equities—they should keep changing their portfolio mix.

Brooklin: That's assuming it's right in the first place, and I think we've got to do a little bit of soul-searching about what's right. We can't keep relying on conventional wisdom.

MacLean's: What about sophisticated investors? Should they be changing now?

Krasner: Studies indicate that there are very few people who can successfully time the market. If they think they can do it, be my guest.

Brooklin: I've got a big beef here with Eric and Dan: instead of talking about market timing, what about risk management? How many people actually know what their exposure is to these Canadian areas? How many know what their exposure is to the Canadian dollar when they know how well they're going to be spending six months a year in Florida?

Richards: That's different. That's part of getting your asset mix right.

Brooklin: I'm saying the U.S. dollar is a benchmark in the ordinary investor. And the Canadian dollar will always be volatile relative to the U.S. dollar.

Richards: You're right—a lot of Canadians don't understand the extent to which they're exposed. But that's not such a bad thing. If you take a look at where the average investor is today in terms of his investments for retirement, he's nowhere close to where he needs to be. And the only real people going to come close to their expectations is to accept a greater degree of volatility and the higher returns that go with that. Otherwise, people are going to end up working until they're 75 and not enjoying the load of refinement that they want.

Brooklin: I think it's important to talk about this, because the expectation is that you take the higher risk to get the higher return. Well, one of the reasons people invested in the Asian markets was for higher returns. If Asia is now going to have lower growth rates, you're obviously not going to invest there for the returns. On top of that, one of the big myths in diversification is that you invest in the Asian markets because they're not in sync with other markets, so it's a way of balancing risk. Well, we've looked at correlations over time at times going back to the 1970s, and there was a very high correlation between the smaller Asian markets and Canada. In other words, it doesn't lower your risk. So if you're out there for higher returns and you're not there for lower risk, why invest there in the first place?

Krasner: Wendy, if your numbers are correct, that would imply the Far East is not a good diversification target. But that doesn't argue the value of global diversification.

Brooklin: The problem is the advance theories we're getting. Financial planners try to get it all in one page and keep it simple—"invest higher for higher returns." And sometimes that's all that's applied. Krasner: It may be that people haven't done enough research into the returns in various countries, but the principle of global diversification is to use it as a tool. If I'm taking the Far East case, if one asset had 10 per cent of its portfolio in Far Eastern securities, and the total portfolio was \$100,000, he might have had a couple thousand dollars in October and November, which is not bad but may well have been balanced out by something else. If someone had 20- or 30-per-cent exposure to the Far East, they were given very bad advice.

Richards: Wendy is saying that given globalisation and the growing interconnectedness of markets, it's going to be tougher to escape the up and down, which are probably right. But as an investor, I have a choice. Do I say 'OK, I don't want to face the prospect of losing 10

per cent in a given year, so I'm going to invest in a GIC at five per cent? For most people, that is not an alternative. **Brookline** Maybe it's not losing 1 per cent in one year. Maybe we're going into an environment where investors will only be making five per cent a year, or less, over the longer term, as happened in the 1980s and in happening in Japan now. Isn't not saying people should plan for a deflationary environment, but they should recognize the implications. And maybe they can't afford the inflation.

Kiernan It sounds as though you think people should be following their investment strategy in a very bleak economic outlook.

Brookline That raises another issue, which is what you believe. Everyone has to rely on experts these days—there's no such complex information. And in 1997 we were duped by the experts in two cases: Bre-X and the Asian markets. I'm talking about a sort. People knew what was happening in the Far East; they knew what kind of accounting practices they had, and they knew what kind of

leverage short-term volatility is a threat. I'm going to change my base. I do have concerns. I think the Asian fix is much more serious than some people are letting on. We may end up being looking at negative returns in 1998 and 1999.

Brookline The past three years in Japan have been negative.

Richards The point is that for the short-term investor, the investor who is approaching retirement or some major expenditure, can't afford the volatility. But for people who still have 15 or 20 years to retire, I have no particular reason to change my strategy.

Brookline Your scenario is for investors who are not leveraged, but I think there's a lot of individuals out there who are leveraged. If this crisis ever plays out, they're going to have to pay back money that they won't have. When I talk about risk management, I mean people should figure out what their "safe" factor is and whether they can afford it. Our books are still advertising loans to people who want to invest. Which might not be a very good strategy if their returns from the market are lower than their interest payments.

Richards Let me come back to Bre-X's point. I think it's principle to be right because everybody has got to have their own ability to withstand short-term declines. But I would perhaps disagree with him about the cutoff. Historically, the mind-set has been that you can afford to take risks when you're 60 or 65, but when you hit that magic age you become conservative. That was true when life-spans were shorter, but today if you've got a couple who are both age 65, half the time one of them is going to live to age 90. That has huge implications.

Kiernan It's a matter of degree. Recently I've seen some truly irresponsible recommendations from people who have suggested aggressive portfolios for elderly people. **Richards** I'm not sure I agree that an overextended market in Asia can put in the category as a final like Bre-X. **Brookline** The students are in that in both cases there was a reliance on experts who should have known.

Richards You could have said the same thing about the housing market in Ontario in the late 1980s. I just don't think it's fair to put that in the same category.

Brookline The issue here is not where the investment standards are and what is being done to explain the risks? One of the good news that comes out of this is that we will see the faults of some of the more stable Asian standards as they adopt Western standards.

Richards The irony is that for all the focus on Asia, it's still a small percentage of the portfolio for the average Canadian.

The real problem is the impact of a deflationary concern in Southeast Asia on the stability of North American companies to meet profit expectations.

MacLean Another issue that has been raised is whether a diversified investment portfolio is the best way to diversify risk?

Richards You're starting to see it. Of course, when you're making 15 or 20 per cent a year you can get two or three out of a portfolio of one per cent this year. But when you get into a flat or deflating market, you're going to find much more in management fees. Mutual funds are virtually the only investment product out there where there are fees that are not fairly transparent. I think that's going to change as investors get more educated and as you see more competition. Inevitably, fund providers are going to start competing on price.

MacLean What's your sense of where the market is going in 1998?

Kiernan I believe we're going to have a poor year—how rotten and possibly losses. But I qualify that by saying my short-term timing record is not particularly great.

Richards I do think that for the foreseeable future we will be in for increasing volatility. One of the things that has to happen is a re-adjustment of investor expectations, or people will be as for a rock stack. **Brookline** He's talking about volatility, but I prefer to talk about the downside—how much could be lost. Remember, it took 10 years for the stock that crashed in 1989 to regain its value. My timing can be off, but I think we're in for a period of lower profits and lower equity returns. I think we'll end up with a number on it for 1998, 15 per cent we may be looking at an overall return of five per cent in a diversified portfolio.

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On the crest of a wave

BY JOHN SCHOPFELD

In a restaurant lounge just steps from the salaried bar, the mutual fund maven raises to achieve a small gathering of the faithful. Jonathan Wilkes, 36 Canada's hottest fund manager, speaks with the conviction of a true believer. He is used to preaching the good word about his firm. Burlington, Ont.-based AIC Ltd., at the crossroads of investment success, he attends each year. But today's lunch-hour speech to the Burlington Christian Businessmen's Committee is different. Wilkes, dressing on his master's degree in theology, discusses Scripture and God's guiding hand in the universe. Speaking in almost apocalyptic terms, he explains how his unique approach to investing is based on a teacher who drives the progress of history. The sins and penitence between signs of earlier, and upcoming, world events. Wilkes bows down. "There's no other company with as many funds of the top eight," he says. Interested, Burlington financial adviser Al Hupper, "You wonder if God is blessing them."

Investors certainly are. Attracted by the company's stellar performance, AIC funds in recent years have brought in more money into the firm at the rate of \$1 million a day. Under the guiding hand of Michael Lau Chin, a charismatic former head salesman, AIC's assets under management have exploded from \$35 million at the end of 1985 to \$7.3 billion today. In the process, Wilkes, the head manager of the company's top performing Advantage, Advantage II and Diversified Canada funds, has become a hero to thousands of investors who dream of a golden retirement. Last month, a money manager based on the 1987 fund manager of the year, "Ten friendly names soon extinguished by the guys," says 45-year-old John Parsons, an AIC unit holder from Ayer, Ont. At the same time, AIC's runaway success has raised a few red flags. Critics take aim at the company's practice of investing in big chunks of a relatively small number of companies, suggesting that AIC's buying spree in themselves have helped to bid up the value of its portfolio. Other analysts warn that the company's heavy exposure to a narrow sector of the Canadian economy—financial services—means that its funds would likely be hit harder than most if interest rates rise or the stock market suffers a prolonged slump.

The firm has also come under fire for high-risk-average management expense ratios on some funds. The MER represents the percentage of a fund's assets that goes paying management fees and other expenses. According to Portfolio Analytics Ltd., a mutual fund information service, the Advantage II fund had a management expense ratio of 2.71 per cent, compared with a median of 2.3 per cent for Canadian equity funds in a group. Overall, says one industry source, "AIC is probably the company that sparks the most disagreement and controversy within the funds business."

The loudest share was sounded in a report last July by Elisabeth Tuck, an analyst with RBC Dominion Securities Inc. in Toronto. Tuck

cautioned investors to restrict AIC's two largest funds, Advantage and Advantage II, to no more than 10 per cent of their portfolios because of their relatively low level of diversification. She also warned that, in a drastic market downturn, AIC investors seeking to redeem their funds might face delays. If AIC were forced to sell shares to meet redemptions, Tuck argued, it could take the company as many as 100 trading days to unload some of its large holdings held on the normal daily trading volume in these stocks. Any faster, Tuck said, and AIC might find that its own selling was driving down the price of its holdings.

Other analysts dismiss Tuck's claims. "I think those [Advantage] funds have been heating up for a lot of bad reasons," says Peter Loesch of Midland Weber Capital Inc. in Toronto. John Plotz, an analyst with Nesbitt Burns Inc., says AIC has not played a big part in driving up the price of its holdings because it usually buys large blocks of stock at a negotiated price—minimizing the impact on the market. He adds that Wilkes has recently been spreading the risk by investing in companies outside the financial services arena. Among the top 10 holdings in Advantage II, for example, are CanWest Global Communications and an insurance giant, Thomson Corp.

But even AIC's supporters emphasize that its Advantage funds are riskier than most Canadian equity funds because of their focus on financial services. "While that approach has paid off handsomely, it will have its periods of underperformance—which at times may be extreme," says Plotz. Together, Advantage and Advantage II account for 85 per cent of the company's \$7.3 billion in assets. The fear is that unsophisticated investors, because of its funds' stellar returns since 1986, will rush into them without understanding their potential volatility. In a dramatic market drop, that could leave less savvy players considerably poorer—at least in the short run. Wilkes himself is well aware of the danger. "People are driven by emotion," he says. "We constantly say that the investors who really do well over time are people who keep their heads and just ride through the challenges."

Right now, AIC is riding a wave of success. The Advantage fund, 40 per cent of which is invested in financial services, returned 40.3 per cent in 1990 compared with an average of 13.8 per cent for Canadian equity funds. Advantage II, launched in October 1986, returned 41.3 per cent last year. The Diversified Canada fund, 40 per cent of which is invested in financial services, returned 32.1 per cent.

Wilkes argues that changing demographics make AIC's focus on the financial sector a good bet over the long haul. As members of the post-World War II boom enter retirement, they will increasingly save their money rather than spend it. At the same time, deregulation has fuelled growth in the financial services sector.

For all that, AIC's funds have seen check days. The Advantage fund

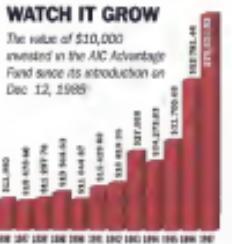
Phenomenal returns have made Jonathan Wilkes an industry star—and the target of criticism

Wilkes—
Invest money in
style differently



WATCH IT GROW

The value of \$10,000 invested in the AIC Advantage Fund since its introduction on Dec. 12, 1986*



lost 30 per cent of its value in the crash of 1987 and did not fully recover for 44 months, according to figures compiled by Franklin Resources Corp., a Whistler, Ont., mutual fund research firm. "You look at the way we've gone, half of that 10-year track record is under water when it is starting," says Franklin president Duff Young. During the most recent bear market, in 1990, Advantage was the fourth-worst performing fund in Canada. And when interest rates spiked between February and June of 1994, Advantage lost almost 20 per cent of its value, compared with a 10.6-per-cent drop for the Toronto Stock Exchange 300 composite index.

William says he is untroubled by short-term fluctuations in the market. "Our preoccupation is not with the day to day," he told 250 people at a Toronto investment seminar last October, days after the Asian financial crisis sent stocks reeling. "You've got to have an investment philosophy that will anchor you through the ups and downs of the marketplace." It is exactly that philosophy William contends that has made AIC the but of critics. "I think a lot of the concern comes out of the fact that we invest money just a little differently than other people do. It's seen as unorthodox."

Unlike some money managers, who take their cues from charts that supposedly foreshadow the market's up and down, William says that AIC targets "bedrock fundamentals"—grown companies in industries with long-term growth potential. The hallmarks of those companies include "strong free cash flow" and high return on equity. Once it finds such firms, AIC rarely lets them go. The annual turnover in most of its funds represents less than five per cent of the portfolio's assets, he says. William's buy-and-hold strategy might lead investors to expect lower management fees, but he says that the abnormally high average annual expense ratios on some AIC funds still represent good value because of their generous, long-term returns. "We think we have a premium product that is very different from our competitors, so we can charge a lot more."

William is working hard to maintain that performance. He says he visited 143 companies last year, searching for new prospects and checking up on old ones. And when he is ready to buy, he does not hesitate to plunge in. According to fund trading reports, AIC owns almost 20 per cent of Maclester Financial Corp., about 19 per cent of Trinoma Financial Corp., and large stakes in other companies such as Newcourt Credit Group Inc. Because securities laws restrict funds from owning more than 10 per cent of a single company, AIC's decision to own the Advantage Fund in 1986 was partly conceived as a bid to bolster the company's stake in several companies. "If we could, we'd own 100 per cent," says William.

AIC says the incentive behind its approach was US billionaire Warren Buffett. Lauded as one of the world's most successful investors, Buffett has made billions of dollars for shareholders in his Omaha, Neb.-based holding company, Berkshire Hathaway Inc., by buying and keeping large positions in such household names as Coca-Cola Enterprises Inc., the Washington Post Co., and Capital Cities/ABC Inc. As it happens, he has never invested in a mutual fund company. "I just don't catch his attitude," Lee-Chin suggests.

Despite Buffet's wealth, his investment style has found little favor with most professional money managers, says Robert Hargrave, a Whistler, B.C., mutual fund manager and author of the 1996 best-seller *The Warren Buffett Way*. The reason, says Hargrave, is that most managers live in fear that investors will flee as soon as their funds lose money. To reduce that risk, they hold their portfo-

Lee-Chin at AIC's
Burlington head
office: 'Visionary'



Canadian investors are pouring \$15million a day into AIC funds

lios with anywhere from 50 to 100 stocks and churn them constantly. "Warren Buffett has often said that diversification is nothing more than protecting the manager from having a bad year," says Hargrave. It also saves fund managers from going to the trouble of trying to know their companies. "To make large bets in companies," says Hargrave, "you have to have an intimacy with them that gives you the courage of your convictions. If the market moves against you, you know it's just a market rotation—there's nothing wrong with your company."

Like Buffett, Lee-Chin has not been shy about making big bets. It is in his nature, says Mario Frankovich, one of the original founders of Rethink, an out-based Advantage Investment Counsel Ltd., the fledgling company that Lee-Chin, a former fund dealer with Royal Capital Planners Ltd. in Kitchener, Ont., bought for \$250,000 in 1987. The private firm, now 85 per cent owned by Lee-Chin—the rest is split among William, vice-president Neil Mandel and a handful of other executives—now worth an estimated \$500 million. Dragging Lee-Chin in 1988 to secure his proceeds from his sale, Frankovich says he remains a risk taker. "Mike is such a visionary person that he will always take the bold position—which will inevitably lead to controversy," says Frankovich, the president of Bergmann Financial Corp., a financial services holding company in Hamilton.

Lee-Chin remembers being struck by Buffet's philosophy in 1986 when he first read about it in the book *The Money Masters*. A native of Japan who came to Canada in 1979 to study engineering at Hamilton's McMaster University, Lee-Chin became known more as a high-flying salesman than a manager. As a branch manager for Royal Capital Planners, he had paraded his persuasive powers into a 50-store fortune. He also encouraged his clients, most of whom were doctors, to borrow money to invest. AIC's road arms, now known as the Berkshire Investment Group—a name critics suggest was an attempt to trade on the reputation of Buffet's Berkshire Hathaway—also has a history of urging clients to borrow to finance their investments, a practice called leveraging. "We promote it when the situation warrants," Lee-Chin says.

Like other dealers and dealers, Lee-Chin enjoyed his prosperity to the fullest, spending \$10,000 a year on expensive watches and a collection of fine cars that included a Rolls-Royce and a Ferrari. But it was

at a lavish 1983 conference in Monte Carlo sponsored by Maclester Financial that Lee-Chin stumbled on his biggest money-maker yet. Over drinks one evening, Lee-Chin and his Toronto stockbroker, Bill Grindfitter began debating which was a better investment: a Maclester fund or Maclester stock. Lee-Chin argued for the former; his pal was persuaded otherwise. Weeks later, he borrowed \$300,000 to buy one per cent of the fund company.

It was then he learned that Franklin, an old weightlifting buddy from McMaster, approached Lee-Chin with a proposal. The Advantage fund's assets had stalled at about \$800,000, and Franklin and his four partners were looking to draw up stakes. Lee-Chin went out of his way and invited the top coaches of AIC. "It was not an easy sell to my partners," Franklin recalls. "It was very visionary." Two months of the group huddled at the Bens of a colleague having the ultimate say-over investment decisions. In the end, however, the associates voted 3 to 2 in favor of the transaction.

Conflict ensued almost immediately. The new owner was determined to realize his vision for Advantage: a mutual fund made up largely of solid company stocks. Ken Kee, previously a portfolio manager for Dominion Life in Kitchener, stepped tying the fund's fortunes to one particular sector. Franklin tried to mediate the dispute, but finally gave up in frustration and left the firm. "After a while, I just got tired of the two battles," says Franklin. "Mike is the stereotypical bold-headed

entrepreneur—'Nothing stands in my way, nothing stops me.'" Lee-Chin says he had to fire Kee in 1990 when the former in-service man "decided to hang out his own shingle." Kee is now a financial advisor in a Kitchener financial planning firm.

One morning in 1989, as he awoke in his McMaster's gym, Lee-Chin struck up a conversation with an incoming 25-year-old student from the Barbados named Al Delisle, Franklin's 26-year-old son (Delisle is his son's name). The friendly chat blossomed into a friendship between Lee-Chin and Jennifer, his then 18-year-old daughter. She was deeply involved in the fund industry's oldest couple, the devout Christian money manager and the佛教徒 bold risk-taker.

Lee-Chin, a divorced father of three, moved up to 18, lived in a large house on the Niagara Escarpment in Hamilton that once belonged to Maclester's DeGroot, founder of transportation giant Ladbrooke. It bears little resemblance to the small house in Port Anson, Jarvis, where the oldest son of a young machine salesman grew up with his four brothers and sisters. "I'm grateful that I can afford to indulge in whatever passions I may have," says Lee-Chin, who now owns two houses. "But it's not as if I'm paid to it; I have three sons, and they're there to be an example for them."

In contrast to Lee-Chin, William says he strives to maintain a modest lifestyle despite his wealth, although he recently upgraded and bought a Ferrari F40 to go with the GM's Corvette. The son of a chairman, William lives in a four-bedroom brick house with his wife, Heidi, whom he also met at the McMaster fund. Their three-year-old daughter and twin sons, aged 1½, He attends a small Baptist church near Cambridge, Ont., and teaches adult Sunday school each week. "We've got to be careful you don't get greedy," he says. "This industry is full of a lot of greedy people."

William and Lee-Chin say their differences for each other often sounds differences in taste. "Jennifer's been integral to the success of the company," says Lee-Chin. "She's brilliant—very meticulous, very thorough. That's before I leave," declares William. "I've been able to shine within AIC. But I wouldn't have been able to do that if Mike hadn't put the trust and confidence in me in the first place."

The breakneck pace of AIC's expansion is evident at its Burlington headquaters, a low-slung building with gold-tinted glass that the firm moved into last May. The executive wings park garage floors are still covered with paper, and construction workers are hard at work completing an extensive renovation of the building, which once housed Saks Inc.'s research division. The company's 355 head-of-facility employees, up from 35 two years ago, are already running out of parking spaces. "We just haven't stopped hiring," says Murdoch, 37, a former lawyer and Price Waterhouse consultant who runs two of AIC's funds as well as serving as vice-president.

Ironically, AIC's recent success has spawned imitators. Last August, the company filed and against Infinty Funds Management Inc. of Toronto, alleging that the company has deliberately copied AIC's investment strategy. Among others, the lawsuit names David Stach, chief executive officer of Infinty's holding company, Toronto Financial Management Inc., and Richard Charlton, Fortune's senior vice-president and a former AIC executive. Lee-Chin says the similarities between some AIC and Infinty funds are too close to be coincidental. "Not only did they try to clone our portfolio, but also our marketing materials."

Charlton calls the lawsuit "silly" and points out that AIC "copies Buffet's investment philosophy." He says the lawsuit is likely motivated in part by Lee-Chin's resentment over Charlton's decision to start a competing mutual fund. "It's a split-lover sort of thing. I suspect, it's totally irrational." Even so, Charlton calls his former colleague "an amazing guy." He also defends William's practice of investing heavily in other mutual fund companies. "These are not some volatile, blow-sport securities," Charlton says. "They're positioning the mutuals to collect management fees off these carry-loaded high-losers who are living up to pay more money into mutual funds." The language is praiseworthy, but when even AIC's enemies are praising the firm, it must surely be on the side of the angels—at least until the next downing.



Ray Street business towers, making a big bet on the financial services sector

Point-and-click portfolios

BY SARAH SCOTT

It began, like many an odyssey, with one seemingly simple wish. All Tracey Woods wanted was a chance to work at home in Georgetown, Ont., a bedroom community 45 minutes from Toronto. So, and to care for her two young children. No more long commutes downtown and 15-hour work days via car and clutch. No more wags and struggles to fit the kids into a hectic schedule. So she and husband Duane, a soft-spoon derivatives analyst, put their heads together and cooked up an at-home business idea that now looks more visionary and daring than ever. They imagined a mutual fund information centre on the Internet. From personal experience, 38-year-old Tracey knew how frustrating it was to find information about mutual funds to buy for the couple's retirement portfolio. And Duane, although he had no formal computer training, could see the daunting possibilities of the Internet as an inexpensive way to communicate large amounts of information about investing.

The timing was impeccable. In the three years since the Woods launched their Web site, The Fund Library, it has grown to become Canada's largest Internet site for mutual fund information, drawing more than 8 million pages viewed per month by an estimated 350,000 people. The Woods have a youthful staff of 23, revenue from mutual fund sponsors topping \$1 million per year, and big plans for the future. Long gone is the original basement home office in suburban. Currently corporate offices in west Toronto, the Woods are now looking for greater digs in the heart of the financial industry. None of which has brought the cosy life Tracey imagined when she quit her job as a law clerk, but she certainly isn't complaining: "It's been wonderful, the most amazing few years of my life."

The Woods, after all, soon found themselves running something akin to the first hot chocolate stand at a large ice rink. In the three years The Fund Library has been operating, mutual fund assets in Canada have doubled to \$897 billion. With more than 1,500 funds to choose from, keeping tabs on the performance of a typical portfolio can be an onerous task. Fortunately, the Internet has turned out to be admirably suited to the needs of a discriminating group of investors who want to take charge of their own retirement planning. At

the Fund Library, unit-holders can find a treasure trove of up-to-the-minute information about almost every fund in Canada, along with sophisticated tools to examine the performance of mutual funds and compare them with others in the marketplace. Investors can call up customized reports on their own mutual fund portfolios and use the site to find a financial advisor, or explore links to other Web sites and on-line chat groups of fellow investors.

Fund companies, all vying for new customers, have duly taken note. Thirty-three of them, representing 80 percent of Canada's mutual fund assets, now pay monthly fees of up to \$5,000 each as designated sponsors of the Fund Library. So far, they are appealing to a small fraction of fund investors: a survey last March by Toronto-based Marketing Solutions suggested that less than 20 percent of fund holders use the Internet to seek out information about their investments. But the ones that do surf the Web have much in common.

According to a survey last summer of Fund Library users, the typical investor is a 42-year-old man with a post-secondary degree who has more than \$50,000 invested in mutual funds. It is, as Tracey Woods suggests, a "beautiful" target audience.

Still, it is a fledgling field in Canada. According to industry analysts, the Internet attracted only about \$5 million worth of Canadian advertising revenue in 1996, says John Chaplin, president of the Internet Advertising Bureau of Canada, a new industry association. But those revenues could grow exponentially if Canada follows the lead of the United States, where Web advertising revenues jumped to \$600 million in the last six months of 1997, more than double the amount in the same period a year earlier.

The potential for continued growth is now luring some high-powered competitors into an arena that the Fund Library once called its own. Last October alone saw the launch of three rival sites. The Globe and Mail of Toronto, after trying unsuccessfully to buy the Fund Library, set up its own site, GLOBEfund, to capitalize on the newspaper's in-house wealth of business information. Investors can search GLOBEfund for published articles and background profiles on the funds and use its tools to analyze and chart funds that interest them. The site's operators say it attracted more than 200,000 visitors in its first



The Woods: 33 fund companies have signed up to sponsor the Web site

two months of operation, "surpassing our hopes," to their surprise, says Doh Gibson, vice-president and general manager of Globe Information Services, the newspaper's electronic arm. She has already found two major banks to sponsor the site and is scouting for more.

On the day after the Globe launched its site, the Quebec Financial Network was set up by Quebec Communications Inc., owner of Medefax's and Interfund Canada Inc., a leading purveyor of personal finance software. QFinNet is designed as a comprehensive source of information on personal finance—from mutual funds and stocks and bonds to foreign exchange rates. It gathers news from such sources as Madron's and Canadian Business magazine with a variety of on-line calculators to compare funds and make plans to get out of debt. It cost "millions" of dollars to set up, general manager Peter O'Brien says, but with six subscribers signed up so far and 300,000 pages viewed last December, the site expects to turn a profit by its second year.

The third new competitor, iMoney, recently bills itself as a "one-stop shopping" site where investors not only learn about the full range of financial services but shop for them as well. The site can even facilitate a personal service, charting out routes that could affect an individual's investment portfolio. But since its launch in October, iMoney has been hit by technical difficulties. "Performance is slow because we've been bombarded with interest," says the site's chief technology officer, Michael Lee. The owners of the site's own employees plus Bayshore Capital, a Toronto-based venture capital firm—hope to recoup their investment by getting financial institutions to pay fees each time users use the site to make purchases. Fifteen institutions have signed up so far.

Tracey and Duane Woods personify themselves subdued by the new competition. Within just a three-year leap over their rivals, they have established their site as the leading source of mutual fund information on the Web. And unlike their competitors, the Woods have already overcome a host of growing pains, expanding in step with the needs of their clients. In fact, their business has taken its first few halting steps in the residual taxes, not Web sites. In the summer of 1994, Tracey had met with a group of financial advisers who were looking to satisfy their clients' demands for stock

The Woods's revenues now top \$1 million a year

market elsewhere be for. A light turned on in Tracey's head when someone mentioned *infant loads*. Why not, she wondered, set up a *one-on-demand advertisement service* about *infant loads*?

After a few weeks of discussion, they acted. In early November of 1994, they sent an e-mail to 20 mutual fund companies. To their astonishment, 11 said yes. There was a huge task ahead—they had promised to launch the new service in January, and the start-ups they would have to log the amounts of dollars worth of equipment and time it would take. But there soon faced an even bigger problem: they could not get enough telephone lines into their little house or any other location in Georgetown. With five service to go, the Woods had to rent out their family home, find another one closer to Toronto that could handle 22 telephone lines, and find a nanny for three-year-old Michael and his seven-month-old baby sister, Michelle. "It was completely insane but we did," says Tracey.

Yet just as the Woods were launching their first service, Alberta Investment Services Inc. of Toronto was busy establishing its own Web site, the first of its kind in Canada. Duane was amazed by how simple and intuitive it looked. And unlike, say, a film service, it was a cheap way to put out information where there was no need to set up and maintain an expensive technological infrastructure. So the pair switched gears. Duane took time off from his regular job, bought some computer books, and plunged into the task of setting up what became the Fund Library. The couple spent \$5,000 on computer equipment and saved money by doing the programming themselves. "I guess I'm just a self-starter," says Duane. By the time they launched the site in April, 1995, the couple was working 18-hour days— scarcely leaving enough time for the kids. They decided to fire help, rest office space and make the company bigger.

Additional obstacles soon arose. The initial five clients, a dozen mutual funds, were skeptical about the Internet. "They just didn't get it," said Tracey. The Woods spent the rest of the year trying to *prop up* their *one-on-demand* service without spending on advertising. Simultaneously, they struggled to get the Fund Library established, hanging on in the hope that late-night users would begin flocking to their site. By June of 1996, users collectively checked out 250,000 pages on their Web site. The number swelled to 1.2 million in July when the Woods launched an updated version of the Fund Library and by last winter, according to Tracey, climbed to more than five million pages viewed per month.

Having established a following, the Woods now face a more pro-

gressive challenge common to all businesses—generating more revenue. The Woods do not want to let their mutual fund sponsors buy *overt advertising* for fear of losing their reputation as an unbiased source of information, so they are looking to banks and telephone and computer companies to buy *space*. It is a tough sell, because many companies do not have a separate budget for something as intangible as *Internet advertising*. "Everyone wants a deal because they're just trying to get it," said Tracey.

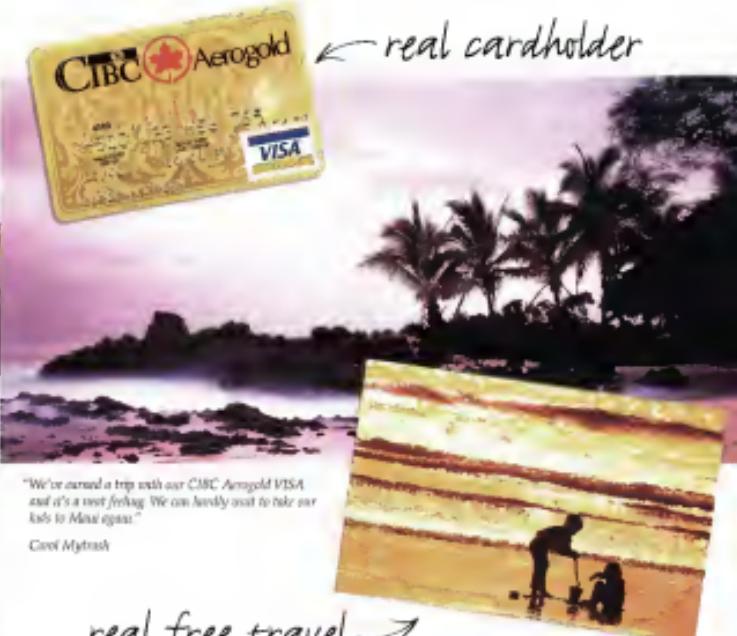


Finding them on the Net

Personal finance Web sites.

- www.financysite.com
- www.globalbank.com
- www.quicken.ca
- www.money.com

Offices At the Fund Library, "we've seen no diminishing of our traffic," says GLOBE&MAIL and Quicken joined the fray, said Tracey Wood. "In fact, November was our strongest month ever. Either they're getting new clients, or people are using both." Not that Tracey is regretting the domestic tranquility she once coveted. She and Duane have managed to add one two-three-hour block of time for their children each day, but there is always lots of work to do after the kids are tucked in each night. "My mind doesn't stop working on this," said Tracey. □



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Peter C. Newman

Canada cannot avoid the fallout from Asia

The unabated free fall of Southeast Asia's major economies has created a measure of damaging economic jitters, about to wash up on our shores. We are no more safe from the consequences of the misfortune from the region's once-powerful economic "Tigers," than Eastern Canada has been immune. That weather usually reserved for the impassable reaches of the farthest Arctic wastes.

"What we've got developing here," was taken in interview with millionaire Robert Friedland recently, while in Singapore just as the crisis was gathering speed, "is a disaster for the Canadian worker. They don't really understand what's causing it there. Nobody will be able to compete with Thailand or Taiwan, and particularly the South Koreans, who are going to be incredibly viscous exporters next year. Their only way out of the current crisis is to push their stuff out the door at any price—and they can produce almost everything cheaper than anybody else. Just think of the impact of 80,000 Hyundai hitting the Canadian car market. Already, Toyota has shown an 8-per-cent increase in the export of electronics and components to North America. There's a lot more to follow."

Friedland, the Vancouver stock promoter who is responsible for bringing to market the \$1-billion-plus nickel, copper and cobalt discovery at Valley's Bay in northeastern Labrador, moved to Singapore shortly after making an estimated \$500 million for his Labrador state, which he sold to Inco. His current mining activities are spread throughout that part of Southeast Asia suffering its most acute financial crisis since the Second World War.

"We appear to be in a period of competitive devaluations of currencies amongst these Tiger economies," he says. "They must export their way out of the trouble they're in. They have no other choice. Too long, their currencies have been tied to the American dollar, and the strength of that dollar has meant they were becoming less and less competitive. Also, too many people have built too much export capacity around the same things, making more electronic products and automobiles than can possibly be absorbed."

"Despite the present problems, the productive capacities of economies like South Korea, Taiwan and China are so fantastic, their labor rates so low, the cost-slanting productivity so high, and the willingness of their workers to work hard for low wages so well-established that we're heading into a long period when everything produced in Asia will not be merely competitive, but radically—and I mean radically—cheaper than anywhere else. By the summer of this year, you're going to see every conceivable product heading to North America at impossibly low prices."

Friedland admits that there continues to be a lag between the

truth reality of the situation and any understanding of what that phenomenon is going to mean, since its fallout hits Canada. What he fears most is that the impact of the massive influx of cheap foreign goods will renew the chorus, especially in the U.S. Senate, for the erection of protectionist barriers, which he describes as "the same paradigm that the world faced in 1929," just prior to the Great Depression.

"The ultimate bogey man is no longer inflation," he insists. "The real problem is how we prevent an integrated world economy, faced with the current Asian crisis, from triggering a round of other destabilizing accidents. Once people understand that deflation is a much more sorry phenomenon—because it means things are declining in value—you could have a reaction that would increase the value of hard assets, such as gold, copper and other metals."

"But for the time being, the world is clearly in a rush towards deflation, and that means being measured against American dollars and U.S. Treasury bills. The value of everything on the planet is heading down against the American currency. That means not only the worth of the Asian economies is evaporating, but the value of the Canadian economy is dragging, the value of Australia is going down and so on—all except England, where the pound sterling remains a strong, well-managed currency."

Friedland's speculation about revived valuations for gold and copper may be wishful thinking. Shares in Indochina Goldfields, which specializes in gold and copper prospects, have lost more than 80 per cent in value over the past 12 months. Its stake in Inco is similarly depressed, as that company struggles with sharply reduced nickel prices and the huge cost of bringing the Valley's Bay deposit into production. (The value of Inco stock has dropped from a 1997 high of \$29 to \$2.50 at the end of trading last week.)

What Friedland envisages—and last week's continued hammering of Asian currencies and stock prices only reinforce his case stronger—is not merely a quantitative shift in the price levels of Asian exports to North America, but something much more serious. "The South Korean won and most other Asian currencies have lost more than half their value. As they keep dropping, these currencies will not be able to afford North American goods, not our gold or paper, wood or coal, as Canada will get dragged down in the process. I see the Canadian dollar at 10 cents."

Despite his short-term gloom, Friedland predicts some long-term benefits from the Asian debacle. "This crisis will trigger a number of gut-wrenching adjustments, but it will also sow the seeds of the region's economic rebirth," he foresees. "The Asian economies will eventually come back with an incredible vengeance, much more efficient and much less energy-leaking and money than ever."

Successful stock promoter Robert Friedland says the Southeast Asian crisis will produce a 'disaster for the Canadian worker'

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THE 1998 LINCOLN MARK VIII

Technology

Once more with feeling

Soon after introducing his company's first computer mouse in 1983, Microsoft chairman Bill Gates discovered a hard truth no one wanted to: Consumers were so indifferent to his electronic rodent that the software then was forced to stockpile thousands of them in anticipation of brighter days. Today the mouse has become ubiquitous, but the basic product has not changed much—until now. This year several companies plan to unleash radically new devices they say will stand North America's 1.5-billion mouse market on its head.

One such model is expected to hit shelves this spring: The so-called FEELit Mouse allows computer users to "feel" as well as see where the pointer is going on the screen. Developed by Immersion Corp. of San Jose, Calif., the unit sits on a special pad with a built-in magnetic marker that generates resistance. As the arrow moves, data is sent to a graphic, for instance, the user feels a slight bump, which should allow operators to manipulate the mouse more quickly and accurately. Users will also be able to scroll through documents or pan across pages by locking the mouse into position and pushing down on it in the desired direction. Immersion Corp.'s 38-year-old president, Louis Rosenberg, says the product is a natural extension of the graphics and audio capabilities that are now standard features on personal computers. "Our goal is to quickly get five per cent of the market," says Rosenberg. "But, ultimately, we're looking for a lot more."

The idea for the FEELit Mouse came to Rosenberg in 1982, when he was working on his PhD in mechanical engineering at Stanford University at Palo Alto, Calif. The technology, known as force-feedback, has been around for 20 years, but until recently was only used for applications such as flight simulation.

At Stanford Rosenberg used to pull people off the street and persuade them to try the title mouse. "People loved it," he recalls. The New York City-born entrepreneur decided



Air Dynamics Mouse
(left), **TrackMate Mouse**
(bottom), a subsequent device

that if the technology—which at the time cost tens of thousands of dollars—could be made affordable, he had a winner. By reengineering the device, he has shaved the price to \$300 and expects that to drop to below \$145 by the end of the year. Still, Lee Schriener, a technology analyst with San Jose-based Dresdner Inc., says that still may not be low enough for mass-market appeal. "People won't jump on the bandwagon immediately," he says. "But a terrible accrue

will allow software developers to move to another level with their products."

Rosenberg, founded in 1992 by Rosenberg and two college chums, had its first taste of success in 1995, when it applied the principles of force-feedback to computer games. Known as iForce, the technology allows players to feel the action on the screen through their joysticks or steering wheels. The company has licensed the technology to leading makers of computer game equipment, including CH Products Inc., of Vista, Calif., and Fremont, Calif.-based Logitech Inc.

While iForce's creators continue to develop its gaming business, it has invested heavily in turning the FEELit Mouse into a household name. So far, the reviews have been positive. At the annual Comdex computer trade show in Las Vegas, Nev., in November, when it was demonstrated for the first time, Gates paid Rosenberg the ultimate compliment by dragging by his booth to test-drive the mouse. In fact, two years ago, Microsoft offered to buy Immersion's force-feedback technology, but the company declined and instead entered into a partnership with computer chip maker Intel Corp. of Santa Clara, Calif. Now, there are rumors that Microsoft is planning to introduce its own force-feedback mouse. (The company recently introduced a force-feedback joystick, the SideWinder.) But Rosenberg appears undeterred, saying his product has "aggressive" patent protection. Currently Microsoft's Windows 95 operating system and its Web browser, Internet Explorer, are the only mainstream software products that can utilize the FEELit Mouse.

Immersion, however, is not alone in trying to refine the mouse. Logitech also made a splash at Comdex with its Track-

Mat Marble FX. The device features a large ball with optical-sensing technology that makes for about one-third the cost of a mouse or mouse finger. The mouse also has four buttons that can be programmed to perform basic functions—such as cut, paste, pageup or page down. TrackMat Marble FX will be available next month for \$129.

For consumers who want to alleviate or avoid repetitive stress injuries, Aeronix International of Norway has designed the Aeron Ergonomic Mouse. The product, which resembles a joystick, can reduce the risk of carpal tunnel syndrome by eliminating the need for users to bend their wrists, according to research conducted by the company. The Aeron mouse, which began selling in Europe last year, will be available in Canada by April for \$70 to \$110. At this rate, Bill Gates had better come up with a mouse he's headstrong about, or he may find himself stockpiling mice again.

ERIK HEINRICH



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Diane Francis

A sensational study no one is discussing

A recent report by economists Marcel Côté and Michel Demers documents, in frightening detail, exactly how Quebec separatists would destroy the living standards of all Canadians if they won the next referendum. The 26-page study was, however, buried by most of the national media as well as by most politicians since its release in October.

Côté is a founder and senior partner of the Montreal economic strategy and marketing consultancy Groupe SEDOR, and Demers is an associate professor of economics at Ottawa's Carleton University. The two were asked by a grassroots organization, the Quebec Committee for Canada, to analyze what would happen to the economy in the hours and days following a unilateral declaration of independence (UDI) by Quebec separatists.

The issue of what happens is important because former Quebec premier Jacques Parizeau admitted in his autobiography last year that he planned to announce a UDI within days of a Yes victory. This contradicted referendum campaign promises that a UDI would not occur until polls were held with Ottawa for at least one year. But Parizeau was at pains to assure the province from the country, and that France was "brought up to legitimate the separation process by recognizing it as a sovereign country."

The Côté-Demers report contains chilling conclusions. After such a UDI, says Côté, Canadians would be crippled by a protracted monetary and banking meltdown. Within hours, the country's automatic teller machines would snarl up as nervous Quebecers turned en masse to take out cash. Mortgages and demand loans would be called in by lenders.

The report conservatively estimates that \$20 billion of the total \$128 billion in deposits held individually, RRSPs and businesses would flee the province of Quebec and probably end up in another currency. The result would be "chaos." A \$90-billion movement of liquidity would shatter the Quebec crisis in the largest crisis in modern banking history," the report concludes.

This fleeing of capital would put pressure on the Toronto-based Canadian banks, which control 30 per cent of the Quebec market for deposits, to inject \$6 billion to \$13 billion into their Quebec branch systems, but might be limited to \$6 billion because of political uncertainty. The Bank of Canada, whose asset total is \$11 billion, would likely require international assistance greater than the recent \$40-billion rescue operation of Mexico and which could approach that of Korea.

The crisis would also be fuelled by employers' likely refusal to raise salaries or income taxes to either government until the legal money dispute was resolved. "A UDI would create two conflicting claims of legitimacy in Quebec," the authors say. "The Quebec gov-

ernment will demand that all taxes be remitted to Ottawa be paid to Quebec. The Quebec government would in all likelihood not be able to obtain any net revenues."

The economists then ask the basic question: "How much of the \$30 billion presently collected by the federal government in Quebec could a separate Quebec government collect?"

For the purpose of the study, the two made the conservative assumption that 30 per cent of federal income taxes and Employment Insurance contributions would be put into trust. They also assumed that 80 per cent of corporate income taxes payable and 20 per cent of GST used would be put in trust. Quebec's biggest employer is the provincial government with 455,000 workers, so the federal portion of income taxes deducted would stop at separation. Thus, (but Ottawa would surely withhold provincial income tax for its 134,000 workers in Quebec as well as transfer payments to individuals.) The total held in trust, according to this model, would be \$11.9 billion, enough to prevent the new bankruptcy regime from financing deficits, borrowing money or shooting up its collapsed bonds.

Still, the capital flight poses the largest threat. "In the days of uncertainty surrounding a possible UDI, many Quebecers will want to shelter their savings from pain of inflation and risk of a painful devaluation if a Quebec currency is introduced," they write. "The desire to shield assets from the turmoil will be even more pronounced for savers restricted in RRSPs. The unattractability of Quebec could also be subject to a tax after the UDI or be outright prevented if, as suggested by former provincial finance minister Jean Comeau, capital gains tools are imposed."

Fearing such controls, a majority of households would likely transfer their RRSPs, roughly 30 per cent of the \$29 billion total in Quebec, to another province. Another 15 per cent of the \$850 pool would be transferred out by the elderly who vote 3 to 1 against secession. "Some separatist leaders have claimed that a 50-per-cent-plus-one Yes vote on a referendum would be sufficient," the report says. "A clear conclusion that emerges from our study is that a Yes victory by a narrow margin is bound to lead to legitimacy debate and an ensuing financial crisis of major proportions." Côté told me in an interview that the flood will be determined because "we have never seen a revolution in the middle of a complex modern economy before in history."

Despite such dire consequences, many a minute of debate in the House of Commons transpired as a result of this landmark study. When asked, the banking community refused to comment on the study's merits and other thinktanks have not picked up the ball. More's the pity.

Two economists predict a massive economic crisis for all Canadians if the separatists win the next referendum



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or television
out the last
of Las Vegas

A belief in magic

Being called a world-class magician might not be most people's ambition, but acclaimed magician Julian Chen is not most people. Last July, Vancouver-based Chen was crowned the world champion of magic at the World Congress of Magicians in Dresden, Germany. She is the first woman to take top honors in the 50-year history of the congress—but getting there was no walk. Born in Hawaii, Chen, who was chosen by government officials to train as a ballerina at the age of 12, five years later the officials trained her to be a foot juggler. But after a fall damaged her left knee when she was in her early 20s, she was forced to put another career switch. This time, Chen was allowed to choose magic, and she focused on sleight of hand, also known in the magic industry as manipulation. She quickly became a national celebrity, making five appearances throughout China and starring on local television shows.

Then, in 1988, Chen moved to Vancouver to study English. But once in Canada, she discovered that magic was as popular as it is in China, and she could not make a living. Chen opened her own graphic design firm, hoarding her magic skills in private. But she missed the sparkle. "Performing in front of an audience feels good," says Chen, now 38, "better than producing alone in my car at a slingshot."

Her career then took yet another turn. In 1991, she got the chance to perform at a dinner held by local magicians. When her short act received a standing ovation, Chen decided to return to magic full time, and she sold her design firm in 1992. The decision has finally paid off! Her floating cards and amazing card manipulations have made her popular around the world, particularly in Las Vegas and Europe. And since her move to Dresden, Chen has been in increasing demand on television, including an appearance in November on the popular NBC special *The World's Greatest Magician*. "I am very happy with my life right now," says Chen. "I have taken a lot of work to get here, but this is who I am. I don't do magic. I am a magician."

A tyro takes off

Country singer CleAnn Rimes and the pop trio Hanson had better look out—there is a hot new lad on the block, and he could make those teen idols look old. At age 16, popstar Aaron Carter is already a star in Germany, where a record company executive signed him up after seeing his wavy-up act last March for *The Backstreet Boys* (Carter's 15th birthday). Now, *Aaron's New North American single, "Cruel on You," is the buzz of the YTV crowd. "We're getting lots of calls," says Terry Blashuk, producer-director of the weekly video show *YTV's Hit List*. "They all just think he's adorable." The jetsetter from Tampa, Fla.,—who travels with a bodyguard, a tour and his mother, Jane—seems to be taking it all in stride. "I did this so I could see my brother all the time," he says, "and it's working out."*

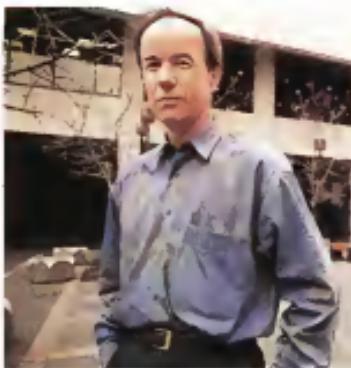


Carter: the buzz on YTV

Sendak's scene

Much like his mother before him, the late Maurice Sendak's father sold his dad a very different effect. "My father came from a small village outside Warsaw," explains Sendak, 70, "and he would tell stories about hardship. Needless to say, I was uninterested as a child." Sendak went on to write and illustrate more than 80 children's books, including *Where the Wild Things Are* and *Outside over There*.

During the past 20 years, Sendak has turned his knack for potent imagery to the stage, as a set and costume designer. This month, The Canadian Opera Company in Toronto is presenting two of his productions—*Hansel and Gretel* and *The Cunning Little Vixen*. "Writing a book is a solitary thing, which can give you around the bend," says Sendak, who lives in Connecticut. "Opera is a social event, and everyone's around the bend, so you are in comfortable company."



Harley: a fundamental breakthrough

Immortalizing cells

Scientists find a possible key to living longer

For more than two decades, Canadian biochemist Calum Harley has been trying to unravel the mysteries of aging. As a researcher at McMaster University in Hamilton, he concentrated on minuscule strands of genetic material called telomeres, which shorten as cells divide, when they are just about worn away—after perhaps 50 to 100 cell divisions—most cells stop dividing. But some keep on proliferating: in a 1991 finding, Harley and colleagues at McMaster showed that most cancer cells contain an enzyme called telomerase that constantly replenishes telomeres, giving the cells a deadly immortality. The discovery opened up dazzling prospects: If telomerase could be put to work in ordinary cells, then some of the debilitating effects of aging could be reversed. In a breakthrough, researchers at the California biotech company Geron Corp.—where Harley is now chief scientific officer—and at the University of Texas Southwest Medical Center in Dallas reported last week that they had activated telomerase in normal human cells grown in laboratory dishes, raising the possibility of new treatments for diseases ranging from arthritis and AIDS to genetic system disorders and osteoporosis.

The discovery, reported in the journal *Science*, prompted inevitable speculation

about a " fountain of youth" that would enable humans to live longer—perhaps forever. "This isn't going to make people immortal," countered Woollard Wright, a Southwest Medical Center molecular biologist who was a principal investigator in the study. "But I can imagine 30 or 50 years from now that we might be able to make a 100% improvement in human lifespan." Other scientists hailed the work as a major finding. "It's an important fundamental breakthrough that adds through it our understanding of cell biology," said Les Harrington, a molecular biologist at Toronto's Ontario Research Institute.

The discovery held out the promise of new therapies that would involve taking cells from a patient's body and activating telomerase (to-LOM-er-ase) in the ratio produce a population of healthy young cells, which would then be transplanted into the patient's body. Speaking from Geron's lead office near San Francisco, Harley—who supervised the joint research effort—said the finding "puts us on the path to developing treatments for a whole range of age-related diseases. We're very excited."



Wright: breeding healthy young cells

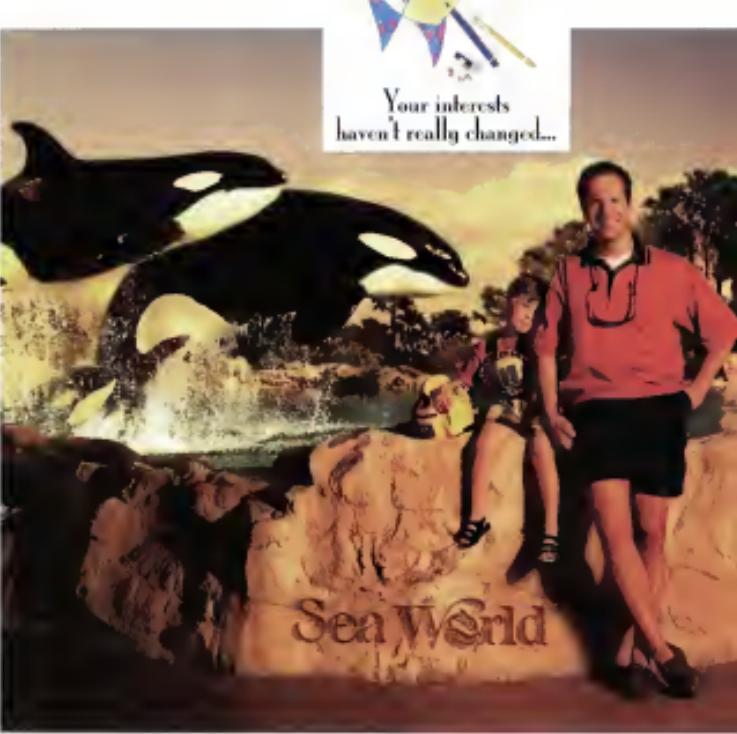
Still, before telomerase-based therapies can ever be used in humans, scientists will have to be sure that cells with activated telomerase are not going to form cancerous. Researchers at Geron and the University of Texas insisted that activating telomerase does not by itself do that. "From what we've observed, these immortalized cells don't behave like cancer cells," said Michel Guelman, a molecular and cellular biologist from Montreal who is currently at the Southwest Medical Center where he played a key role in activating telomerase in human cells. Some scientists speculated that there could be problems, since one of the functions of telomerase (TET-uh-muhr-uh-zee) in normal cells appears to be the prevention of the uncontrolled cell proliferation that can cause cancer. To avoid any such risks, said Wright, scientists preparing cells for implantation would probably switch on telomerase long enough to produce a healthy lifespan for the cells, then turn it off again before transferring the cells into a patient.

If all goes well, some telomerase-based therapies could be in use within five to 10 years. Harley said that one of the first possibilities would be the use of cell-replacing therapy in tissue grafts to treat muscular degeneration, a disease of the retina that progressively erodes the sight in about one-third of North Americans over the age of 70.

Another obvious application, said Harley, would be in treating cancer patients whose blood and immune systems have been battered by high-dose chemotherapy. Using bone marrow transplants, doctors currently try to counter that by taking blood cells from patients, growing them in cultures and re-implanting the mader chemotherapy. But the success rate among older patients is poor, because the cells that are removed and re-implanted are already nearing the end of their life-spans. "If we can take older patients' bone marrow and rejuvenate the cells," says Harley, "we may be able to dramatically improve their chances of survival."

When Harley, 45, decided to give up a promising career in Canada to work in the United States, it was partly because of the scarcity in Canada of research funding—a situation that has worsened since he left. Officials of Ottawa's Medical Research Council said last week that government research funding had declined by 30.7 percent during the past two years. "It's a pity," said Harley, "because Canada produces excellent scientists, but only limited research opportunities." Which is why breakthroughs like the telomerase finding often involve Canadians working beyond their own country's borders.

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Racing the biological clock

Doctors re-examine the health risks of postponing motherhood

Dorothy Lachr did not feel ready to have children and she was nearly 40. For the first few years of her marriage, Lachr and her husband, Bill, worked long hours to establish their careers as computer analysts. "We wanted to be more settled, more financially stable before we had children," says Lachr, who lives in a small community 90 km north of Toronto. But after she decided it was time to start a family, Lachr learned about the risks of a late pregnancy and wondered if she had waited too long. "Once I saw the statistics, I became worried," she says. "You look at the charts and say 'Oh, at 42, the chances were as high as 1 in 40 of a genetic defect—that scares you.'"

Lachr did suffer complications during her first pregnancy, but she gave birth to a healthy son, Raymond, in February 1990, and a daughter, Eleanor, three years later. "We're glad we waited," says Lachr. "We can provide for the kids and we can handle things better than when we were in our 20s."

Never before have so many women delayed parenthood until middle age. And never before have so many older women—seemingly more of grandmother age—become mothers. Last week, the British press reported that 60-year-old Elizabeth Battle of Wales became pregnant without the use of fertility drugs and gave birth to a healthy boy, Jack, on Nov. 20, making her Britain's oldest mother. While such cases are still extreme, Statistics Canada says that in 1995 mothers over the age of 35 accounted for 12 per cent of live births, compared with fewer than five per cent in 1975. The trend lies in the flow of conventional wisdom, and some current medical texts, which designate 35 as the magic age limit for a first child. But an increasing number of women, facing a complex mix of

social and economic pressures, wonder if they can safely postpone pregnancy well into their 40s. And now, some experts are beginning to say that the reproductive alarm need not be sounded so early. "In the old days when women had 13, 12 and 13 children, women had later, higher-priority responsibilities," says Dr. Rod Attwells, professor

of obstetrics at the University of Toronto. One recent B.C. study shows that, although older mothers experience a higher incidence of cesarean sections, miscarriages and other complications, many of the problems are not caused by age. "The risk factor of age alone has been overstated," says Dr. Jon Barrett, a specialist in maternal fetal medicine at Toronto's Women's College Hospital. "Much more important is the state of a woman's health, family and genetic history."

It is a fact, he adds, that older women are more likely to have medical conditions that could lead to complications. But a healthy older woman is at less risk obstetrically than a younger

woman who has an underlying disease. Still, there is no question that a woman's chances of giving birth to a baby with abnormal chromosomes increase with age. The risk of Down's syndrome—one of several possible congenital defects—rises dramatically from 1 in 600 at age 25, to 1 in 288 at age 35 and 1 in 40 at age 42. Women over 35 are generally offered an amniocentesis—a procedure that involves injecting a needle into the womb and removing fluid that can be tested for genetic abnormalities.

Why 35? "In a younger woman, whose risk of having an abnormal baby is 1 in 1,000, it doesn't make much sense to have a procedure with a risk of miscarriage that is 1 in 200," explains Barrett.

But some women, like Deborah Wilden—who became pregnant for the first time two years ago at the age of 41—refuse to have an amniocentesis, because they do not want to lose what may be their only chance to have a child. "We talked and talked about it," reveals Wilden, who opted instead for a maternal blood screen, which is a blood test taken at 35 weeks of pregnancy that picks up about 80 per cent of Down's syndrome babies. The former Toronto computer worker had several anxious months of waiting after the genetic test indicated that her baby might have Down's syndrome. "It isn't definite," says Wilden. "It only gives you the odds so we decided to hang in there. It was a miracle to start, and we thought it could end with a miscarriage, too." In February, Wilden gave birth to Melody, a sound and healthy baby girl.

In the B.C. study, researchers found that mothers over the age of 35 suffer an increased incidence of hemorrhage, diabetes, multiple births, prolonged labor and hypertension. They also tend to have more



Mothers with Melody: "It's never too late, and we thought it could end with a miracle."

preterm birth and low-weight infants. "The most disturbing issue to me is the high risk of cesarean section," says Ying MacNab, a statistician with the British Columbia Vital Statistics Agency and one of the authors of the paper. "It is quite an astonishing ratio—I in three women over the age of 35."

MacNab's report is a follow-up study found "no good reason" for the high rate. "We see a gradual decrease in the late '90s," she adds. "So we are hoping the rate will go down." Other experts are also at a loss. "Where there is no difference in composition," says Barrett, "yet you've got a higher Cesarean rate, somebody is too anxious—probably the doctor and the patient." Nor should older mothers necessarily suffer other complications, he says—if they are healthy. The problem, doctors say, is that as women age they tend to develop high blood pressure, diabetes and other medical conditions that could lead to a difficult pregnancy. "I feel better about a healthy 35-year-old patient who is pregnant than a 25-year-old with diabetes who is pregnant," says Attwells.

Most doctors continue to monitor older patients very carefully. "There is anxiety and uncertainty when you get to the age of 45," says Barrett. "Most would be sent to specialists who check blood pressure and track the baby's growth." And researchers continue to study the effects of a parent's age on their offspring. "It seems babies born to older couples have a higher incidence of Alzheimer's," says Attwells, pointing to new lines of research. "And children of an older father seem to have some increased risk of inherited diseases." More positively, researchers found evidence supporting that women who bear children after the age of 40 tend to live longer.

So what's a woman to do if she wants to postpone parenthood? "Keep fit, eat normal, don't smoke, and don't drink too much," advises Barrett. "If you keep yourself healthy and limit medical risk, then I don't believe your pregnancy will be a much more serious risk than a younger mother." But he also cautions that fertility decreases with age—most women may find that it takes longer to become pregnant. Also, one may not be able to conceive. "I have seen women who decided to delay having a family because of a career and then were still pregnant," he adds. "That's no tragedy." Couples might keep track of their fertility with sperm counts for potential fathers and hormone tests to ensure that a woman is ovulating normally. But they may want to monitor their energy levels, too. "Kids keep you active," advises Lachr. "But you start to feel your age and can't take those nightlights."

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WHAT MATTERS TO CANADIANS

Sinking Leonardo

What does Leonardo DiCaprio, star of the blockbuster film *Titanic*, have to do with education? Not much, according to Natalie Langford of Melville, Sask., a lone of 4,050 located 144 km northeast of Regina. Over the Christmas holidays, she pulled her son David, 14, out of his Grade 7 class at St. Henry's School and registered him in Melville Comprehensive School. The reason: a teacher's decision to decorate a classroom wall with about two dozen pictures of the actor DiCaprio had complained to principal Tom Seager and the local school board, but says, "no objections were not taken seriously." "I have nothing against this young's genetics," says Langford. "But what is the educational value of that? I wonder if a male teacher could put up pictures of a female star without people saying, 'What the heck is going on here?'"

Benger maintains that teacher Sally Lipowaska put up two or three DiCaprio pictures at the start of the year because her students were going to be reading a story on the *Titanic* disaster. Students began bringing in their own pictures, and she felt compelled to post them. "The pictures of DiCaprio were used as a kind of kebabiser by the teacher with the kids," says Seager, adding that they were removed over the holidays. It seems that some teaching looks are easier to sink than the *Titanic*.

Titanic star DiCaprio, questioning his place in the classroom



ESL students get high marks in B.C.

Data buried deep in a B.C. education ministry annual report may add fuel to the ongoing debate over the viability of public school English as a Second Language programs—commonly known as ESL. The report, released last month, compared the performances of current and former ESL students with their native English-speaking classmates during the 1995-1996 school year. The finding: ESL students trail their peers during the year or years when they spend in English-speaking classes—but leap forward later. Concludes the report: "Students who had enrolled in ESL within the past six years outperformed non-ESL students on most measures." Among other things, ESL grads were more likely to complete Grade 12 (75 per cent versus 67 per cent) and to qualify for university (66 per cent versus 49 per cent).

The findings are particularly relevant in British Columbia, where enrollment in ESL has more than quadrupled since 1985 and more than one-third of students in some southern districts speak a language other than English at home. Still, the report falls short of a unequivocal endorsement of ESL classes. It notes that the linguistic needs of ESL students—such as the language used at home—wield more influence over academic success than ESL instruction. For example, students from Chinese- and Portuguese-speaking households were more likely to graduate from high school irrespective of their enrollment at ESL than children from English- or French-speaking families. The researchers did reach one unqualified conclusion, however: ESL and its impact on academic success needs more study.

Loosening the purse strings

With a budget surplus projected to hit \$2 billion in the fiscal year ending March 31, Alberta Treasurer Stockwell D'Argos' announcement last week that his government will spend an extra \$100 million on repairs to the province's schools and \$30 million on classroom technology. Meanwhile, the Manitoba government unexpectedly announced that it is putting more money into primary and secondary education for the first time since 1992 due to robust economic growth. Education Minister Linda McQuaid revealed last week that the government will increase spending by \$16.7 million, or 2.7 per cent. The money is being allocated to specific projects such as new computer technology and much-needed repairs to schools. But many teachers said that the new funding will not meet the needs that have accumulated during the years of freezes and cutbacks. "Are we supposed to say 'Hooyay,' because they're giving us two per cent?" asked Dolores Haines, principal of Lakewoodsy School in Winnipeg. "It's a laugh."

PREMIER CONDOMINIUMS

250 Wellington West



Shutting down computers in class

Four first year students at Acadia University in Wolfville, N.S., the Acadia Advantage program is a huge attraction. The innovation and award-winning initiative provides laptop computers to each incoming student. For classroom and home use. Success students, for example, pull up the latest stock prices of companies they are studying. English students access CD-ROMs on which novels read from their works. But statistical contract talks between Acadia's administration and faculty have temporarily halted classroom use of laptops. "We're following the old contract," says sociology professor James Secordman, president of the faculty association. "And it says nothing about computers in the classroom."

That contract, in fact, dates back to 1989. In 1992, the Nova Scotia government froze all university collective agreements for five years, and cut salaries three per cent. Anxious to gain lost ground, the faculty won a five per cent pay hike annually for three years, while the administration has offered the equivalent of 2.5 per cent. Angered by the withdrawal of computers in the classroom, several hundred students occupied part of the main administration building Jan. 12, and they face even more disruption if the faculty rejects the current offer, the new move may be to set a strike date.

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THE LEADERSHIP JOURNAL

Books

Country of kindness

Canada offered sanctuary to a child of tumult

SMALL MERCIES

By Ernest Hilken
Viking, 206 pages \$27.99

In 1946, when 11-year-old Ernest Hilken first arrived in Toronto from Indonesia, a group of his new schoolmates surrounded the Dutch-speaking immigrant at recess. Hilken was sure the boys were about to fight him. "New boys always had to fight," recalls Hilken in his graceful and touching new memoir, *Small Mercies*. "All over the world, that's how it was." Hilken, today a respected Toronto magazine editor and writer, most certainly has seemed odd enough to arouse the expected hostility. Like all Dutch colonial schoolchildren, he wore short pants. He also spoke little English but much to his amazement, the other boys met him with kindness. They taught him to play baseball, even allowing him extra turns at bat and cheering when he got a hit.



Hilken in 1946, underlying pattern

also develops a deep attachment to what Hilken calls the "puzzles of Canada"—a compelling strangeness in its people and landscapes that would draw him back in his late years.

Necessarily, *Small Mercies* relies less on extreme events than *The Way of a Dog* involving illicit cigarettes beside Lake Ontario can hardly compare with trying to outwit Japanese guards. But if the sequel lacks the high drama of the earlier book, it is even better at catching the contradictory currents in a boy's soul. In the camp, Hilken's emotions were somewhat deadened by the daily tedium, but in Toronto he was able to reclaim the precious sensibilities of ordinary life. This makes the occasional intrusion of violence in *Small Mercies* more gripping, in its way, than the brutalities of the POW camp. When Hilken's grandfather erupts in a rage and reprimands his son for some minor misdeemeanor, the event is deeply shocking—and it reminds that Japanese prison guards have no monopoly on cruelty.

There is much to love in *Small Mercies*, from the way Hilken has interwoven interviews of softness and joy to his creation of memorable characters, such as Ernie's half-bitten cigarette-smoking grandfather. And he skillfully sustains the book's underlying pathos. As he falls in love with Canada and his new life, Ernie realizes he does not want to go back to Indonesia—but he has no choice. The book's final scene shows him hiding his misery as he delighted father meets his returning family. It is a moving, emotionally ambiguous climax to a fine book—and a nice lead-in, if Hilken's readers should be so lucky, to yet another installment.

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Television

Raising the dead

An ex-Mountie spins tales of unsolved murders

A battered station wagon inches across a darkened expanse of empty waterfront. Boards pull a shapeless form in a plastic package bag from the car to the edge of a pool. It falls to the water with a resounding splash. When police divers recover the package hours later, it turns out to contain the body of a 10-year-old boy, eyes and mouth covered by silver squares of duct tape. An autopsy reveals that the boy was raped before he died. So far, so gruesome. But the details of the crime also match those of a 20-year-old murder that remains unsolved. The parallel sets 30-year-old Sgt. Al McCormick (Colin Stewart) off on the trail of a killer in the first episode of *Cold Squad*, a new made-in-Vancouver cop show that premieres on Jan. 23 on Batac and most CTV affiliates across the country.

It's a risky entry in a field where gritty and often violent American-made dramedies like *Blue Bloods* and *NYPD Blue* have long set the standard. But producers Matt MacLeod and the father-daughter team of Philip and Julia Kotler, who aside the 11-episode series with the backdrop of Toronto's Atlantic Flats, know plenty about risk, as well as about successful television. MacLeod, 50, spent 20 years investigating major crimes for the RCMP. Philip Kotler, 58, was executive producer of the long-running *Broadway* series for CTV. Their collaboration on *Cold Squad* gives no hopes to an unassuming realism, psychologically complex stories and a determined sense of place. *NYPD Blue* is very much New York, notes John Kotler, 37. "Baltimore is very specific," Baltimore. We wanted to see Vancouver."

But this is hardly the picture-perfect Vancouver of tree brochure. As recognizable as the city will be to residents—in writing copies to another made-in-Vancouver series, *The X-Files*, which strives to mix its location into anywhere, U.S.A.—*Cold Squad's* world is the city's underbelly. And while the West Coast setting may be more palatable, notes MacLeod, "They are murder stories, and murder knows no boundaries."

Such insights reflect MacLeod's experience in fighting real crime. As Mountie Ken Ross (he adopted a pseudonym when he began his writing career), he worked in police patrols, "cold files." Aided by behav-

iour profiler Jill Stone (Joy Tanner) and bent-but-former street cop Tony Lopez (Michael Hogan), McCormick brings killers to justice using a combination of advances in technology (DNA sequencing) in the opening episode and the change in perspective that time brings to both witnesses and participants in crime. Reality shines through in the opening episode, which MacLeod wrote. The search for a pedophilic serial killer takes an unex-



Paul Bonar, Hogan,
Tanner, Stewart
ment ambiguity

ited murder in Thailand in 1888. His stance on crime is uncompromising. But nearly three decades of police work clearly did not desensitize MacLeod to moral ambiguity—or the humanity of the people who commit crime. "If you want to solve a murder, you have to understand why a person walked into a room and did what he did," the former Mountie says, adding, "You're not some extremely interesting bad guy." In *Cold Squad*, the bad guys are not always the guilty party—and the apparent victims are not always innocent.

The chain of events that brought MacLeod together with the Kotlers began in 1995. Working as a reporter in Los Angeles, MacLeod met a retired police officer who had turned to screenwriting. Intrigued, he returned home to Vancouver and began to read books about the craft of writing. In 1998, in collaboration with Trident producer Hart Hanson, MacLeod wrote *Trust Me*, a TV movie based loosely on his own life as John Kotler

ley produced a pilot in 1994. The following year, after working on several old homilies, he conceived the idea for *Cold Squad* on July 1, 1997—the day that principal photography began on the series.

Cold Squad threw over four months last summer on location and as a rented former roller-skating rink in East Vancouver, has some wrinkles. The initial episodes betray the pressures of a tight production schedule in a handful of editing sequences that could be smoother. And as the weary veteran Lasseter, MacLeod could reveal a more credibly raw edge. Still, with its persuasive authoritatively and a generous portrayal of the mundane stories of grief that lead into the darkness of the human soul, *Cold Squad* is just the thing to heat up a winter's night on television.

CHERYL WOOD



With a new
theatre
and *Ragtime*,
Garth Drabinsky takes
Manhattan

Bullish on Broadway

Garth Drabinsky needs to be convinced. After years of enduring a choppy relationship with the Canadian media, he is not eager to be interviewed by a journalist who has occasionally failed to cast him in the most flattering light. "No publicity is better than more aggression," says Drabinsky, explaining that he has had 35 of Canadian magazine articles describing him with words like "showy" and "bold" when the producer of such men himself at *Show Boat* and *Ragtime* finally does agree to meet. "Most of us in New York City, he keeps down some ground rules: no personal questions, and nothing about his financial pits in the boxes at *Complex* [Ottawa]. 'My life,' he says, 'has evolved. It's gone on.'

jewel in the current revitalization of Manhattan's theatre district.

In the U.S. media, meanwhile, his *Ragtime*-based Canadian is being hailed as a savior of the American musical—for mounting lavish shows with social themes that restore a lost grandeur to the medium, for presenting them in plush surroundings that recall Broadway's golden age, and for changing the way *Show Boat* does business. Ensuring quality control over every aspect of a production, he pays top dollar to attract creative talent. He fine-tunes a full production of shows in a few cities before bringing Broadway. Tapping public and private funds, he has built theatres in New York, Toronto and Vancouver, and is currently restoring Chicago's historic Oriental Theatre. On top of that, he is developing five new musicals. Drabinsky's expansion—the quality that makes some Canadians segment seem right at home in America.

It certainly has. A decade after being ousted from his *Complex* Ottawa empire, Drabinsky—cochairman and CEO of Toronto-based Event! Inc., has risen phoenixlike to become the toast of Broadway. In 1990, his *Cast of the Spider Blues* snags the Tony Award. Two-dollar revenues from his acclaimed revival of *Show Boat* are expected to reach \$800 million by the year 2000. And, after triumphant runs in Toronto and Los Angeles, on Jan. 30, a New York production of Drabinsky's *Ragtime* opened in an opulent new theatre that he has built on Broadway. Erected from the salvaged remains of two former playhouses on 42nd Street, the Lyric and Apollo theatres, his \$185-million Ford Center is the new crown

jewel in the current revitalization of Manhattan's theatre district. And as a savior of the American musical—for mounting lavish shows with social themes that restore a lost grandeur to the medium, for presenting them in plush surroundings that recall Broadway's golden age, and for changing the way *Show Boat* does business. Ensuring quality control over every aspect of a production, he pays top dollar to attract creative talent. He fine-tunes a full production of shows in a few cities before bringing Broadway. Tapping public and private funds, he has built theatres in New York, Toronto and Vancouver, and is currently restoring Chicago's historic Oriental Theatre. On top of that, he is developing five new musicals. Drabinsky's expansion—the quality that makes some Canadians segment seem right at home in America.

Garth is on a roll. And as he fielded questions last week from his hand a marble desk in his office at the Ford Center, there was nothing about him, except for a year rendered greater than by a heavy cold. "We're the drama weather changes in city," he says, "and the fact that I haven't slept for three months probably has something to do with it." Toronto-born Drabinsky, who comes states between his home town and a condo in New York, is plotting a grueling regimen of 16-hour days. The week before *Ragtime's*



The producer (left) and his historical extravagance: *saving America to the Americans*

Broadway opening—and the first crucial New York reviews—the producer was starting to get to his "Opening night are something that I have," he says. "It's not a bar mitzvah. It's exactly the opportunity to get the whole experience incredibly agonizing."

But after runs in Toronto and Los Angeles, *Ragtime's* success seems a safe bet. The show—a spectacle about American Dreamers at the tumultuous turn of the century—sings along to a stunningly syncretic, roared, and syncopated, pageant. The songs, by Lynn Ahrens and Stephen Flaherty, swing from cool nocturne to soaring gospel with acrobatic ease. And, with the new theatre, Drabinsky is reviving not only the spirit of old Broadway, but also the architecture. Although the Lyric and the Apollo were demolished to make way for the Ford Center, some key features were incorporated into the new building, including the Lyric's balconies, dashes, boxes and proscenium arch.

On the marquee that hangs outside Drabinsky's office window—and at all manner of merchandise in the gift shop downstairsthe Regime logo depicts a star-spangled banner coiled around the ornate arm of the Statue of Liberty. Drabinsky, it seems, is engaged in the playful art of refrigerators to Eskimos: a Canadian selling America to Americans.

But his affection for the product seems genuine. "I love the dramatic element of American history," he says. "I love that it's born out of passion. The challenges and the issues—they're important for the world, not just for America. They're so a part of you." Adds Drabinsky: "As much as I am proud of being a Canadian, and do everything I can to promote Canada around the world, I feel very much a citizen of this country as well. I'm comfortable here. I continue to be inspired by stories emanating from the history of this country—but I will get involved only if it's a dramatically to them."

Being Canadian, in fact, may have given Drabinsky a certain edge in defining American essence. "It's a given as a perspective," he says. "It's a lot easier to stand back and look at the nation and the aspirations of America, the powers and ills of America, with a bit of distance."

He certainly had the wherewithal to notice an obvious opportunity that had eluded everyone for two decades. Rereading E. L. Doctorow's sprawling historical bestseller, *Ragtime*, Drabinsky realized that the 1975 novel—a essay on historical fantasy—was a musical waiting to happen. It had not occurred to Doctorow: "I'd never dreamed

about this material in those ways," says the author, who died this summer. Doctorow, who collaborated on the stage version, adds that the show is "more or less like an extract. And when they've landed on us is the American literary impact in the text."

The musical weaves the class upheaval of turn-of-the-century America into a tale of retribution—a three-part fable. The *act I* (passionate) is vividly unfurled in the opening number; the white geishas with their big parasols, the card-holding underlings of African-Americans, and the gay colors of various immigrants. In the course of the play, a former individual estranged from each group (Mother [Marni Nixon], a compassionate WASP, a measure of autonomy from her Victorian husband, Cora [Dawn Wells], a black piano man) becomes a silent revolutionary after a series of lewdly trite lyrics his beloved Model-T Ford And Titch (Peter Friedman, an unscrupulous Jew who has had love with his daughter, goes home, drawing effusive portraits on the street in making meiosis pictures on the floor).

Meanwhile, real-life characters fit in and out: magician Harry Houdini, glazier queen Evelyn Nesbit, anarchist Emma Goldman, activist Booker T. Washington, actress J. P. Morgan—and industrialist Henry Ford. Although Ford's relationship, it appears, is uneventfully smoky in light of the blue oval logo that *savours* prominently outside the theatre. And, aside from the exploding truck employed by Houdini in his aerial magic trick, the Model T is the play's prop star. "It's not a new 'know,' " Drabinsky has to point out, "that I made a decision to produce *Ragtime* before I had any inkling that Ford was involved with me."

Still, Drabinsky's *Ragtime* has a strong resonance. It is not just a prop, but an icon. The nation's big anthem is, after all, *Wheels of a Horse*—an apt metaphor for a show that celebrates the eternal confluence of the American Dream while lamenting the rapid fate of those it left in the dust. *Ragtime* is a tragedy buffeted by optimism, a fine-tuning vehicle with room for liberal sentiment and entrepreneurial clout.

Between its period setting and its pre-millennial staging, it is also a tale of mode in time, with nearly broaching the 20th century. Drabinsky conceives of *Ragtime* as a kind of sequel to *Show Boat*, which at the time of its 1936 debut, was the first musical to tackle on its social issues. The early 20th century was "a fascinating period in American history," says the producer, who is now creating *Pavadei*, "for their art and what I call the *Trilogy of America*." *Pavadei* is an original musical based on the story of Leo Frank, a New York Jew wrongly convicted of a 1913 rape and murder in racist Atlanta. Broadway veteran Hal Prince will direct; Alfred Uhry (Dawson's Creek) has written the book, and Drabinsky says Canadian actor Brent Carver (Ken in *My Spider Woman*) will play the lead.

Carver is also developing four other new musicals: *The Seven*, *Seven* of *Sabres*, based on the 1997 movie about the vicious power of gossip; *Collarless*, a black *As You Like It* in Song and Dance; about the life of the legendary choreographer; a revival of the 1960 Broadway classic *Pal Joey*; and *The Sessions*, based on the Dr. Seuss children's book. Meanwhile, Livent's Toronto production of *Phantom of the Opera* has entered its ninth year—and along with its Canadian tour—has grossed \$600 million. Livent, itself, the only publicly traded company of its kind in North America, expects \$425 million in revenues this year.

But Drabinsky is clearly out to make more than a financial statement. Ideas matter to him, the bigger the better. And he thrives on



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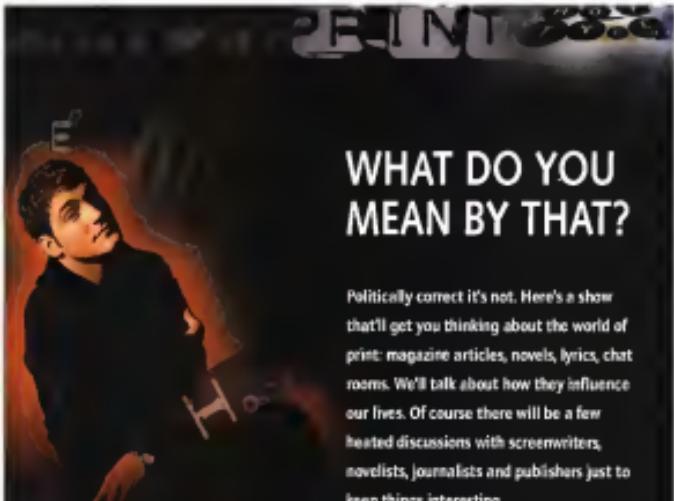
being able to collaborate intimately with artists. "He was certainly more involved in the creative process than you'd expect a producer to be," recalls Doctorow. "But he created an atmosphere that made me feel welcome."

Drahoski, who started out producing movies (*The Silver Partner*, *The Changeling*) in the 1970s, says his stage collaborators value his expertise. "I think they respect my eye, and my analysis of performance. It's an eye that's been trained by sitting in a dark room watching 200 movies a year, sitting in the editing room studying the aesthetics of entertainment." He stresses the phrase as if defining it in stone.

Drahoski, of course, is also quite literally carrying a legacy in stone, by building and restoring theatrical monuments. While preserving certain features from the Lyric and Apollo, New York's Ford Center also upstages the just-with-a-great-hobby-with-statues carving around a foot that has an exquisite mosaic at its centre—the classical tools of comedy and tragedy rendered with 172,800 pieces of handcut marble from all over the world. Richard Binder, the theater's architect, says Drahoski was "incredibly involved in the details—he wanted the very best of everything." Then, mentioning Disney's renovated New Amsterdam Theater across the street, he adds that Broadway "has been ravaged by three old family corporations, and these two newcomers bring in two new theaters. It changes the nature of what New York theater is all about."

Disney is Drahoski's biggest deal, and the prime example for *The Last King* (is the view from his office window? "But I don't believe that we're competing," he says. "I think the greatest thing in the world is that when 1,800 people walk into that theatre every night, if they turn their heads—they see the marquee of *Evita*, and vice-versa. These two shows will kill each other for an incredibly long time." *Palmer or the Royal Mint*, *Godspell* were across the street from each other for years and years." Then he adds, "The south part of Broadway is now anchored by the two most exciting theaters in the city. And you need the critical mass of 20 or 30 shows juggling away to keep bringing the horde of people who come to the city every year for Broadway. That's the core of what Broadway's all about."

Writing a *New Yorker* profile of Drahoski last year, John Lehr astutely observed: "What he wants to do is make theater with shows of wealth but to make wealth with shows of history. Back in the days when Drahoski promoted classical grandeur by gracing *Clueless* trailers with Greek columns and snacking popcorn with real butter, his claims of grandeur may have seemed exaggerated. Now, with Garth's megastore on 42nd Street, he has built a world to match the scale of his ambition. □



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Allan Fotheringham

Why sex-free Canada gets no respect

Canada's problem, as with Rodney Dangerfield, is that it just don't get no respect. It is not, as imagined, because with a mere 30 million besides we don't count on the world population meter. It is not that we have never had a civil war, or that Canadians—the surveys tell us—talk more on the telephone than any citizens on earth.

None are the reasons why we are as unappreciated on the global scale. Ottawa has just been pleased by the visit of British Foreign Secretary Robin Cook, who illustrates the high standards that our resources can leaven when it comes to jokey visitors in bed. When it comes to closure, Mr. Cook is the early leader in 1989.

Mr. Shear, in one fell swoop, has dashed the pristine hopes of Tony Blair's "New Labour" with all its talk of family values, a welcome change from those dreadful Tories who were always leaping into the sack with other prima donnas. Cook has done it all.

The foreign secretary is considered the intellectual superior to those two other Scotland-born boys, Blair and Chancellier of the Exchequer Gordon Brown. He to be was chucked out of the role of prime minister, however, because he is what is called facetly challenged. He has acknowledged he has "all the sexual allure of a garden gnome."

He apparently, however, has other attributes. Last Aug. 1, he was in the VIP lounge at Heathrow—a highly respected factor who made more money than he did before he became a cab-and minister—about to fly off for a three-week holiday in the U.S. His class phoned rang. It was Blair's call, warning him that a tabloid the next day was to break the story of his affair with his secretary, Gwyneth Blunt. The message from the PM's office: the war on the mistress.

Cook, the archduke of Cook Britannia's foreign policy, put down the phone and informed his wife that their 28-year-old marriage was over. Now, that's cool. His 24-year-old elder son went to Heathrow to wave his parents off—only to be told things were "ancient."

How can the most powerful man in the world—among the most



ALLAN FOTHERINGHAM

erful nation on earth—is facing a May court case where a girl with big hair is going to prove that she can identify a peculiar best to his yin-yang? The comparison is not far.

We haven't had a good single since Gerda Mansinger, the good-time Munich girl, rocked the Commons with her affair with the Tories Pierre Bégin, who had lost a leg in our First World War. The RCMP while investigating, identified him only when their listening device figured out the signature thump was his wooden leg being dropped on the bedroom floor.

The flamboyant George Hines, John Diefenbaker's most handsome minister, allowed during the subsequent hearings that he indeed had lashed with Gerda, but nothing more. The Ottawa press gallery, under the leadership of president Charlie Lynch, has its annual blonde dinner had a general walked Mansinger pasted on the outer wall of Parliament's Red Room Committee Room.

Lynch escorted his guest Hines into the room. The polite gathering exhaled, from Hines, elegant as ever, gazed at it for a few moments and announced: "Then they've got the eyes wrong."

This, admittedly, is not up to the Krasno edge, wherein Todd, as wince-wince, is "the only senator who goes to spring break in Florida." We know all about Chapeau-chick and Michael Kennedy, who lost an argument with a tree in Aspen, who destroyed his brother's bid for the governorship of Massachusetts by the overstatement that he, Mike, had conducted a long affair with the family babysitter starting when she was 14.

Canada has a tough time matching this. At François Mitterrand's funeral, his wife, his daughter and his mistress stood side by side. All we have is a Reform MP from the Okanagan Valley who shouts about "goyard" and wants to go out in the alley to sit things. It doesn't really score.

Christine Keeler and Mandy Rice-Davies brought down the Harold Macmillan government when war minister John Profumo lied to the Commons that he did not know Christine in the biblical sense. When Margaret Thatcher ran off with the Rolling Stones, it didn't destroy her husband's government.

Instead, it left 70s he fathered a child by a woman young enough to be his granddaughter and now eats spaghetti happily with her, happy newspaper columnist husband and the like. Very Canadian. No nose, no frost.

In Thatched ownership is Leona Bobbin, out of her husband's pants, left in a helium balloon and seen a fly off to oblivion. In the United States, journalist Seymour Hersh, who offers proof that John Kennedy really owned a Whit House pool with oilfield stakes called Puddle and Puddle, is pilloried by JFK fans.

In Canada, a publisher still plods with a divorced wife of one ex-premier to sell the goods. We have to get on the ball. More war and respect.



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